



LINDT & SPRÜNGLI

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Sustainability Report

2019

# Lindt & Sprüngli portrait

For 175 years, Lindt & Sprüngli has maintained its reputation as one of the most innovative and creative companies in the premium chocolate market.

## Production, Marketing, and Sales

- 1 Kilchberg, CH
- 2 Aachen, DE
- 3 Paris, FR
- 4 Induna Olona, IT
- 5 Vienna, AT
- 6 London, GB
- 7 Barcelona, ES
- 8 Stockholm, SE
- 9 Warsaw, PL
- 10 Prague, CZ
- 11 Moscow, RU
- 12 Luserna S. Giovanni (Caffarel), IT
- 13 Rotterdam, NL
- 14 Kansas City, USA
- 15 Stratham, USA
- 16 Toronto, CA
- 17 Kansas City (Russel Stover), USA
- 18 San Leandro (Ghirardelli), USA
- 19 Mexico City, MX
- 20 São Paulo, BR
- 21 Cape Town, ZA
- 22 Hong Kong, CN
- 23 Shanghai, CN
- 24 Tokyo, JP
- 25 Sydney, AU

## Regional offices

- 26 Dubai, UAE
- 27 Dublin, IRL
- 28 Budapest, HU



Quality chocolate from Lindt & Sprüngli is distributed via its own subsidiaries, regional offices, an extensive global network of distributors as well as in 500 of its own shops. Lindt & Sprüngli's main markets are in Europe and North America. Its portfolio features Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caffarel, Hofbauer and Küfferle. The company is present in more than 120 countries worldwide with its extensive and innovative range of fine premium chocolate.

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# Foreword by our CEO and CFO

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Dr Dieter Weisskopf, CEO Lindt & Sprüngli Group



Martin Hug, CFO Lindt & Sprüngli Group  
and Head of the Sustainability Executive Team

Dear readers,

Sustainability plays an essential role for all of us at Lindt & Sprüngli – not only for our business success, but also to ensure future supplies of our high-quality ingredients. In the following report, we will use this opportunity to address our stakeholders' concerns, needs and interests.

The Lindt & Sprüngli Sustainability Plan is the pathway we are taking in this direction, demonstrating our commitment for a better tomorrow. Our comprehensive strategy addresses the sustainability issues that are impacted most through our business activities – both from a risk and opportunity perspective. Alongside environmental protection, we are also paying special attention to the people who are most closely linked to our company: the farmers and factory workers who produce our valuable raw and packaging materials, the employees who are crucial for our long-term success, and the consumers who choose our products. Our updated strategy will embed sustainability even further and drive progress at every level of our organization. Clearly defined responsibilities and the strong commitment of our entire team will be the key elements that support us on this journey.

The year 2020 marks Lindt & Sprüngli's 175th anniversary, and we are proud to look back on what our organization and people have accomplished during this time. Throughout our history, we have established a reputation for providing traditional, exquisitely

manufactured and creative chocolate products. In this sense, we are delighted that after 12 years of groundwork, we are well on track to reach our Lindt & Sprüngli Farming Program goal in 2020: All the cocoa beans we use come from a fully traceable and verified supply chain. However, we do not intend to rest on our laurels but will keep moving forward.

We believe that a sustainable future can only be achieved through working together proactively with different partners and society. Our long-term commitment to the UN Global Compact and its ten principles reflects our values. Together with our outstanding employees, our valuable partners and their continuous support, we aspire to minimize our negative and maximize our positive influence on the environment, society and the economy along our value chain.

We feel proud and gratified to continue the progress we have already made with our Lindt & Sprüngli Sustainability Plan by presenting our tenth and most recent Sustainability Report.

A blue ink signature of Dr. Dieter Weisskopf, written in a cursive style.

Dr Dieter Weisskopf  
CEO Lindt & Sprüngli Group

A blue ink signature of Martin Hug, written in a cursive style.

Martin Hug  
CFO Lindt & Sprüngli Group

# Main commitments and progress 2019

| Focus area   | Main commitment  | Progress   |
|--|--|--|
| <b>Rural development</b>                           | 100% of cocoa is sourced through sustainability programs by 2025   |  On track             |
| <b>Human rights in the supply chain</b>            | 80% of our procurement expenditure for raw and packaging materials bearing significant sustainability risks is covered by a sustainable sourcing program by 2025 |  On track             |
| <b>Biodiversity and ecosystems</b>                 | 100% of sourced cocoa is free from deforestation by 2025 (=covered by a fully implemented No-Deforestation & Agroforestry Action Plan)                           |  On track             |
| <b>CO<sub>2</sub> and climate</b>                  | 10% reduction of greenhouse gas emissions in the production process by 2020, per ton produced<br>Base year 2015 = 100%   |  Commitment achieved  |
| <b>Water</b>                                       | 10% reduction of municipal water used in the production process by 2020, per ton produced<br>Base year 2015 = 100%   |  Commitment achieved  |
| <b>Waste and recycling</b>                         | 50% reduction of chocolate waste in the production process by 2025, per ton produced<br>Base year 2015 = 100%  |  On track             |
| <b>Business integrity</b>                          | We do not participate in any corrupt or anti-competitive behavior  |  No deviations       |
| <b>Occupational health and safety</b>              | We continuously reduce our safety risks to achieve our long-term vision of zero lost-time accidents  |  On track           |
| <b>Enabling and motivating working environment</b> | 40% women on senior leadership level by 2025   |  Measures initiated |
| <b>Transparent and responsible communication</b>   | We market and advertise our products according to national/international laws  |  No deviations      |
| <b>Product quality/Product safety</b>              | We comply with Lindt & Sprüngli quality and food safety standards on an ongoing basis  |  No deviations      |

# Lindt & Sprüngli Sustainability Plan

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## Our Commitment for a Better Tomorrow

Sustainability plays a key role in ensuring our business success. Our 175 years of history prove us to be a long-term-oriented company that continues to perfect and deliver traditional, exquisitely manufactured products with high quality. Nevertheless, preserving our traditions does not mean stagnation for us, but rather continuous improvement. Meanwhile, we also take into consideration the dynamics of sustainable development. Challenges, priorities and stakeholder expectations evolve constantly due to new insights and developments. We have built the Lindt & Sprüngli Sustainability Plan – our commitment for a better tomorrow – to equip us to handle these developments in the best manner possible.

With the Lindt & Sprüngli Sustainability Plan, we are intensifying our commitment to a more sustainable future, and, together with our partners, we want to generate long-term value for the environment, society and economy. Our “Lindt & Sprüngli Promise” remains the same. All products that leave our factories will ultimately live up to our commitment to sustainability along the entire value chain.

Our aim is to foster successful collaboration within the company, improve the livelihoods of our farmers in the countries of origin, contribute to an intact environment, and delight our consumers. This purpose with its four components forms the framework of our Lindt & Sprüngli Sustainability Plan.

We want to exert a positive influence on sustainable development and minimize negative influences as much as possible along the entire value chain. The Lindt & Sprüngli Sustainability Plan focuses on the areas that are most affected by our business activities and on which we can have the greatest impact. From a business perspective, this approach will not only reduce operational risks and increase employee engagement, but will also guarantee the long-term supply of high-quality key raw materials and consolidate financial sustainability.

The Lindt & Sprüngli Sustainability Plan was signed off by the Group Management and the Board of Directors at the end of 2018. It builds on the previous sustainability strategy. During the drafting of our Lindt & Sprüngli

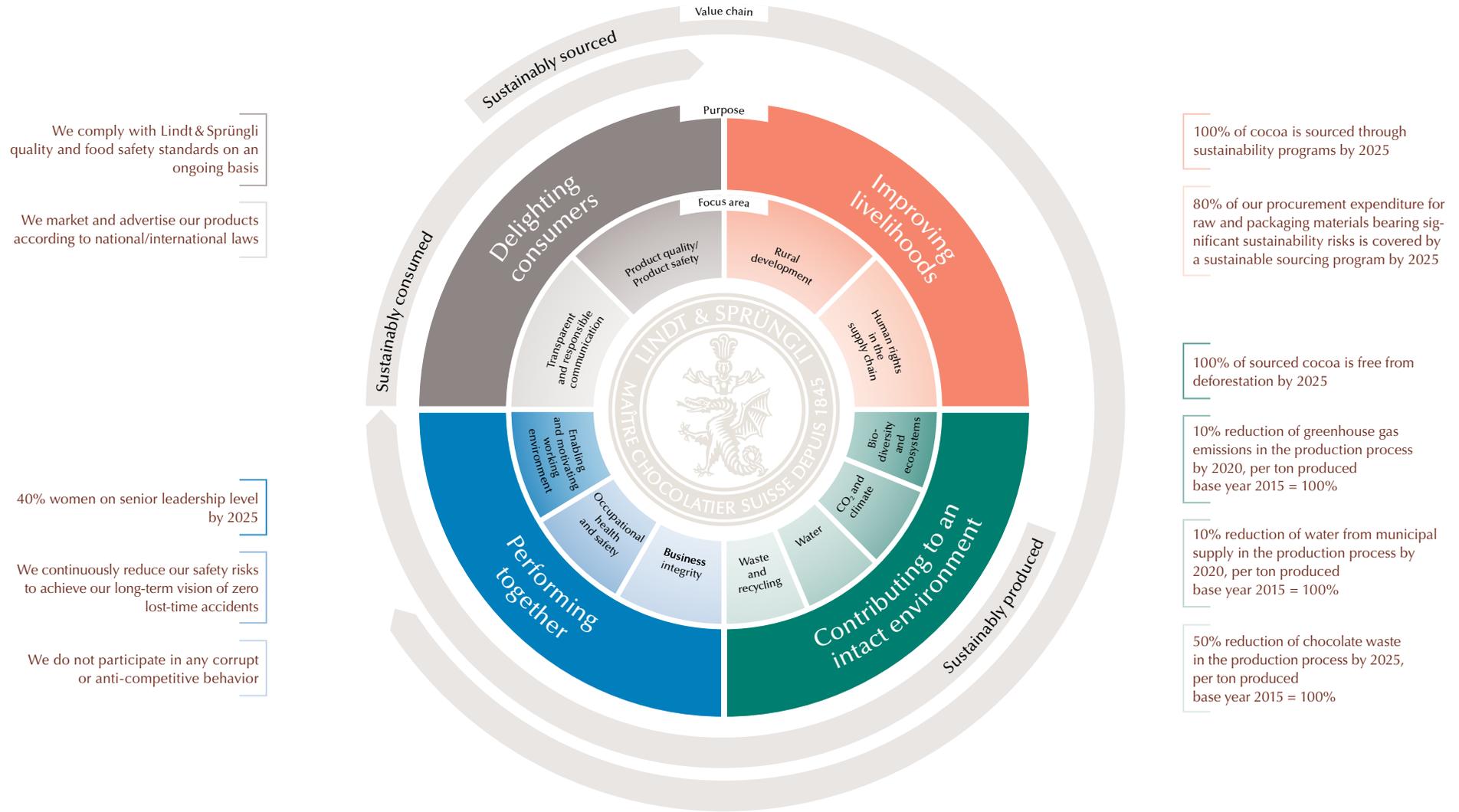
Sustainability Plan, we updated our existing analysis of key sustainability issues and integrated new aspects. We took into consideration the needs of our stakeholders as well as our impact on the environment, society and the economy (> see Materiality process and strategy development p. 57).

The Sustainability Executive Team assists with and monitors the implementation of the Lindt & Sprüngli Sustainability Plan. The Sustainability Plan is put into action by the relevant departments with strong implementation responsibility placed on the respective subsidiaries. This governance structure provides us with the necessary flexibility to implement our strategy in local contexts as well (> see Governance p. 56).

Our main commitments are what guide us. We rely on agile implementation to achieve our goals within these guidelines. We review our progress annually and adapt our management approaches to meet new challenges. Our annual Sustainability Report forms the central means of communication on the progress we are making in implementing our Sustainability Plan.

# Overview of our Lindt & Sprüngli Sustainability Plan

along the value chain with our purpose, focus areas, and main commitments



## Our purpose and focus areas



The Lindt & Sprüngli Sustainability Plan is organized into the four components of our purpose and eleven focus areas. Each focus area covers at least one material topic. These material topics have been identified based on our materiality analysis (> see materiality process and strategy development p. 57).

We have defined several measurable commitments with corresponding indicators to assess each focus area. We have also highlighted one target in each focus area as the main commitment (> see Sustainability Plan p. 7). To achieve our commitments, we have outlined effective measures, which will be implemented over the coming years within the framework of our Sustainability Plan.

Our Sustainability Report follows the structure of the four purpose components and the corresponding focus areas described below.

### Improving livelihoods

We want to support people in our value chain to create decent and resilient livelihoods. The farmers, their families, employees, and the corresponding communities in our supply chain are at the center of our activities.

#### Rural development

Our Lindt & Sprüngli Farming Program and other sustainability initiatives for the sourcing of raw materials enable us to support farmers and their families to create decent and resilient livelihoods.

#### Human rights in the supply chain

We respect the UN Guiding Principles on Business and Human Rights, and we conduct our due diligence by means of a risk-based approach of the raw and packaging materials we source. Our ► *Supplier Code of Conduct* is a key instrument in this endeavor, as it requires adherence to social and environmental standards by our partners throughout the entire supply chain.

### Contributing to an intact environment

An intact environment is essential for our company and the entire value chain. Therefore, we are focused on protecting the environment and reducing the environmental footprint of our chocolate as well as its packaging.

#### Biodiversity and ecosystems

When it comes to preserving biodiversity and ecosystems, we focus in particular on stopping deforestation in cocoa-growing areas. To address this challenge, we have developed and published a ► *No-Deforestation and Agroforestry Action Plan* for all countries of origin. In addition, the promotion of biodiversity using ecologically sound cultivation methods and the promotion of cocoa diversity are also key elements of the Lindt & Sprüngli Sustainability Plan.

#### CO<sub>2</sub> and climate

We are steadily reducing both our direct greenhouse gas emissions and our energy consumption. This is an important contribution to curb climate change, which we recognize as a threat to our environment. We are also assuming our responsibility within the supply chain with our measures in the focus areas of rural development, human rights in the supply chain, and biodiversity and ecosystems.



### **Water**

We consider water to be a valuable resource, and – as one of our direct measures – we are continuously reducing our consumption of water from municipal water supplies. We are also assuming our responsibility within the supply chain with additional measures in the focus areas of rural development and human rights in the supply chain.

### **Waste and recycling**

We are reducing our material waste during production by optimizing our processes on an ongoing basis. Furthermore, our product packaging will be assessed over the coming years and – where necessary – improved in order to reduce the environmental impact of our packaging in line with our vision.



### **Performing together**

As a premium chocolate company committed to high quality standards, innovation and sustainability, our employees are a key factor for our future. Workplace safety is a top priority, and we encourage and motivate our employees to achieve mutual success. We support equal opportunities in the workplace and an attractive working environment.

### **Business integrity**

We are committed to the principle of free competition and condemn any form of bribery or corruption. We hold both our employees and business partners to these standards.

### **Occupational health and safety**

We adopt a proactive approach to preventing work-related injuries and illnesses in our factories. Our measures in the focus areas of rural development and human rights in the supply chain enable us to also address health and safety issues in our supply chain.

### **Enabling and motivating working environment**

We create an attractive and enabling environment for our employees in order to acquire and retain talented staff. This includes, above all, an inspiring work culture, the promotion of diversity and equal opportunities, employee development and training, and employee satisfaction and retention.



### **Delighting consumers**

To remain successful in the long term, Lindt & Sprüngli strives to continuously surprise and delight its consumers with innovative, premium chocolate products. Our consumers' trust is the indispensable basis for achieving this. We assume a high level of responsibility toward our consumers to ensure product quality and product safety as well as transparent communication.

### **Transparent and responsible communication**

We are committed to transparent communication to fulfill our consumers' information requirements, in particular with regard to allergens and nutritional values. We market and advertise our products according to national/international laws and in a responsible manner, especially through our pledge for not advertising to children as primary media target.

### **Product quality/Product safety**

We have developed an all-encompassing quality management system and place strict demands on our chocolate. Comprehensive internal and external controls ensure that our chocolate meets our high quality standards all around the world.

## Our raw and packaging materials

Significant social and environmental impacts related to the production of chocolate affect the supply chain and thereby the cultivation, processing, and transport of raw and packaging materials. Sourcing these materials sustainably is of particular importance to Lindt & Sprüngli. We constantly observe and review environmental and human rights risks associated with our sourced raw and packaging materials.

We report on raw and packaging materials within different focus areas, depending on the main issue and challenges to be addressed. The following reference list provides an overview of the main raw and packaging materials mentioned in this report.

| Material                                     | Main focus areas   | Page             |
|--|--|------------------|
| <b>Cocoa beans</b>                           | Rural development                   | pp. 13–17        |
|  | Biodiversity and ecosystems         | pp. 20–29, 35–36 |
| <b>Cocoa butter and other cocoa products</b> | Rural development                   | p. 30            |
|  | Biodiversity and ecosystems         | pp. 35–36        |
| <b>Hazelnuts</b>                             | Human rights in the supply chain    | p. 32            |
| <b>Palm oil</b>                              | Biodiversity and ecosystems         | p. 37            |
| <b>Soy lecithin</b>                          | Biodiversity and ecosystems         | p. 37            |
| <b>Eggs</b>                                  | Biodiversity and ecosystems        | p. 37            |
| <b>Packaging material</b>                    | Human rights in the supply chain  | pp. 32–33        |
|  | Waste and recycling               | p. 41            |



Improving livelihoods

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## Rural development

Many farmers and farm workers producing raw materials used for chocolate face complex and structural challenges. Most farmers in developing countries, including cocoa farmers, have small and/or overaged farms. Many of these smallholders have limited knowledge of good agricultural practices, limited access to farming equipment and planting materials, and face depleted soils, pests and diseases as well as high input and transportation costs due to poor infrastructure. This often leads to low incomes for farmers, which gives rise to social challenges such as poverty and child labor. In this context, farmers are also often confronted with limited access to financing and a lack of opportunities and infrastructure. Finally, environmental challenges such as climate change and deforestation are crucial issues that need to be resolved in order to foster rural development.

Lindt & Sprüngli takes its responsibilities for these farmers and its influence on their livelihoods very seriously. Through our active engagement in the supply chain, we can support farmers producing our raw materials to secure a decent and resilient livelihood, and thereby foster rural development. Our aim is to improve living conditions on the ground and conserve natural resources with our engagement for sustainable supply chains. Furthermore, we also fulfill our customers' and consumers' expectations and build trust in our brands.

Our Lindt & Sprüngli Farming Program, a sustainability program for cocoa bean sourcing, is at the heart of our activities involving rural development. In addition, we have implemented sustainability programs for other cocoa products such as cocoa butter (> see p. 30). These comprehensive sustainability programs, which are implemented in partnership with our suppliers, will be presented on the following pages. These programs serve to foster rural development in the long term.





## Cocoa beans The Lindt & Sprüngli Farming Program

100% of our cocoa beans are sourced through the Lindt & Sprüngli Farming Program (traceable and verified) by 2020

Our commitment to sustainability begins with a bean, a tree, and a farmer – because high-quality cocoa beans are the heart of our chocolate. We want to know where those beans come from and under which conditions they are grown and harvested. Lindt & Sprüngli is one of the few chocolate makers that produce from bean to bar – from the selection of the fine cocoa varieties through to the finished product, except for our Russell Stover brand, which

purchases and processes chocolate and chocolate products. We put this bean-to-bar advantage to work in achieving our sustainability goals. That is why we implemented our own sustainability program for the sourcing of cocoa beans: the Lindt & Sprüngli Farming Program. With this flagship program, we can have a positive effect on the farmers who cultivate and harvest the cocoa beans that we use in our production. For our consumers, this means that they can be sure that we source and process the beans from the farmers in our own Lindt & Sprüngli Farming Program.

Our Lindt & Sprüngli Farming Program strives to ensure decent and resilient livelihoods for our cocoa farmers

and their families, and a sustainable intensification of agricultural practices. At the same time, it helps us to secure the supply of high-quality cocoa beans from a stable base of farmers. We aim to achieve this vision through higher productivity on the farms, diversified household incomes, preservation of biodiversity and natural ecosystems, reduced risk of child labor, and improved infrastructure in communities (> see Theory of Change, p. 18).

The 434<sup>1</sup> **field staff** in the countries of origin, all financed by the Lindt & Sprüngli Farming Program, are involved on a daily basis with the 78,425<sup>1</sup> farmers, working with great passion to fulfill this vision. The farmers, their families, employees, and the corresponding communities

### 2008

Launch of the Lindt & Sprüngli Farming Program in Ghana with a focus on traceability and community development

### 2013

Establishment of the Lindt Cocoa Foundation

### 2015

Launch of the Lindt & Sprüngli Farming Program in Madagascar

### 2017

Launch of the Lindt & Sprüngli Farming Program in Papua New Guinea

### 2019

Launch of the No-Deforestation & Agroforestry Action Plan for Cocoa

### 2012

Expansion of the Program to include four Program elements, including external verification

### 2014

Launch of the Lindt & Sprüngli Farming Program in Ecuador

### 2016

Cocoa bean supply chain in Ghana becomes fully traceable and verified

### 2018

Launch of the Lindt & Sprüngli Farming Program in the Dominican Republic

### 2020

**Our goal: 100% of our cocoa beans are sourced through the Lindt & Sprüngli Farming Program (traceable and verified)**



Discover the Farming Program

<sup>1</sup> Figures by end of September 2019 (end of cocoa season 2018/2019)





Lindt & Sprüngli sources high-quality cocoa beans from the renowned cocoa-producing regions in the world such as Ghana, Ecuador, Madagascar, Papua New Guinea and the Dominican Republic. The Lindt & Sprüngli Farming Program has been established in all our countries of origin since 2018.

are given top priority in our activities. Having our own sustainability program for cocoa beans ensures that these stakeholders are also the actual beneficiaries of our investments. Long-term and stable partnerships with our suppliers are a key factor for success in this area. The implementation of the four elements (> see pp. 16–17) in the Lindt & Sprüngli Farming Program is financed with a price premium per metric ton of cocoa beans sourced from the Program and co-funding from other organizations. Since 2008, we have invested a total of USD 37 million<sup>2</sup> in the Lindt & Sprüngli Farming Program for cocoa beans, with more than USD 8 million of that invested in the 2018/2019 cocoa season alone. Additionally, the [Lindt Cocoa Foundation](#) has contributed around USD 2 million annually in investments for farmers and communities since 2014.

In 2019, we succeeded in increasing the amount of traceable and externally verified cocoa beans by six percentage

<sup>2</sup> Figures by end of September 2019 (end of cocoa season 2018/2019)

points compared to 2018, resulting in a total of 92% of all sourced cocoa beans. We implemented the Lindt & Sprüngli Farming Program in all the countries of origin where we source our cocoa beans, i.e. in Ghana, Madagascar, Ecuador, Papua New Guinea and the Dominican Republic.



### Traceability and verification of all cocoa beans

% of the sourced cocoa beans that were traceable and verified (from the Lindt & Sprüngli Farming Program)



Our cocoa beans come from Ghana, Ecuador, Madagascar, Papua New Guinea and the Dominican Republic.

## Lindt & Sprüngli Farming Program in numbers – Our achievements

Theory of change (> see p. 18) indicators by end of September 2019 (end of 2018/2019 cocoa season)



**92%**

of the cocoa bean volume sourced through the Lindt & Sprüngli Farming Program in 2019



**434**

field staff support and advise the farmers on a daily basis



**37** million USD

invested since start of the Program, more than USD 8 million in 2019



**78,425**

farmers participating in the Program

### Higher productivity on farms



**159**

cocoa-farming model farms in place

**5,665,746**

cocoa seedlings distributed since start of the Program (with 2,250,039 cocoa seedlings distributed in 2018/19 cocoa season)

### Diversified long-term incomes and increased resilience of farming households

**6,242**

farmers with additional income generating activities through Program since start of the Program

**16,964**

farmers trained in additional income generating activities since start of the Program

**1,567**

community members participating in a total of 87 village savings and loan groups (VSLAs) or equivalent (41% women)



### Conservation of biodiversity and natural ecosystems

**61,104**

farmers with all farms GPS located

**57,608**

(73%) farmers proven not to be located in protected areas as per local laws



**1,274,074**

shade tree seedlings distributed since start of the Program (with 371,339 shade tree seedlings distributed in 2018/19 cocoa season)

**3.8**

shade tree species per hectare on average

**13**

permanent shade trees per hectare on average

**41,711**

(53%) farmers with at least 5 permanent shade tree species per hectare

**10,584**

(13%) farmers with at least 25 permanent shade trees per hectare



### Reduction of the risk of child labor

**29**

schools currently under construction, expected to benefit 3,034 children upon completion

**12**

child labor cases found, 100% of these child labor cases remediated



### Improved community infrastructure

**≈130,000**

community members benefit from water infrastructure improvements

**211**

boreholes and 3 bigger water systems built, 1 bigger water system repaired



## Elements of the Lindt & Sprüngli Farming Program

1.

### Traceability and farmer organization

Traceability of the cocoa beans is the key for ensuring sustainable cocoa bean sourcing. This transparency enables us to improve the quality of the cocoa beans while at the same time being aware of the social and ecological farming conditions on the ground. This in turn allows us to provide targeted support for the farmers (> see Elements 2 and 3). At the end of the 2018/2019 cocoa season, 78,425 farmers were participating in the Program, of whom 29% were women.



Thanks to our traceability system, we know which farmers' groups the cocoa beans come from and the amount each farmer contributed to the deliveries.



As a basis for our engagement, we gather baseline data about farms (including GPS coordinates), farmers, and communities to assess their specific needs.



The farmers are organized into groups for the implementation of the Program.

<sup>3</sup> Figures by end of September 2019 (end of cocoa season 2018/2019)



2.

### Training and knowledge transfer

Familiar with the local circumstances and needs, the 434<sup>3</sup> local field staff train and coach the farmers to professionalize in the following areas:



**Agricultural practices:** Farmers learn everything about planting, cultivating, harvesting, fermenting, and drying the cocoa beans. The 159 model farms also form an important component of the training, enabling the farmers to observe firsthand the effects of the professional practices being taught.



**Environmental practices:** Farmers are educated about biodiversity and environmental protection (e.g. the production of organic fertilizers).



**Social practices:** Farmers are sensitized to issues such as health, labor safety, and labor standards (e.g. child labor).



**Business practices:** Farmers learn how to operate their farms as professional businesses, with a focus on increasing yields and reducing costs to raise net profits. They also receive advice on how to diversify their income (> see e.g. Ghana p. 20, Ecuador p. 25).



3.

### Farmer investments and community development

The Program helps farmers to professionalize their farms and supports community development by means of the following services:



Distribution of higher-yielding and disease-resistant cocoa seedlings and shade trees to rejuvenate older and unproductive cocoa trees or entire plantations and foster agroforestry systems.



Provision of farming supplies (e.g. rubber boots, pruning tools, fertilizer) that allow the farmers to work more efficiently and apply the professional practices acquired during the training to increase their harvests.



Construction of water systems and boreholes for clean drinking water and distribution of gray water filter systems.



Renovation of primary schools to combat the risk of child labor as well as support of sensitization efforts and monitoring measures in at-risk countries (> see update on the implementation of the Action Plan Against Child Labor in Ghana p. 23).

The Program also provides investments in fermentation and drying installations to improve the cocoa's quality, increase efficiency and reduce environmental impacts. Furthermore, it supports the establishment of savings groups to strengthen the farmers' economic resilience. Starting capital and credit are also made available to encourage additional income sources such as snail and fish farming, beekeeping, and the production of organic fertilizers.

<sup>4</sup> Figures by end of September 2019 (end of cocoa season 2018/2019)

4.

### Verification and continuous progress

In order to ensure the Program's effectiveness and provide verification, a structured internal and external program evaluation is carried out annually in accordance with our Lindt & Sprüngli Farming Program ► [Verification Guidance Document](#).



As part of the internal monitoring, the project partners examine the continuous progress of the farmers' social, ecological, agricultural, and economic practices. The internal monitoring visits are conducted by the 434<sup>4</sup> local field staff, who personally visit each of the farmers on their farms every year.



The external review by the independent non-profit organization ► [Earthworm Foundation](#) (formerly The Forest Trust) evaluates the entire Lindt & Sprüngli Farming Program, including its internal monitoring system. Earthworm then draws up recommendations for improvement and further development measures for the Program to combat the underlying reasons behind non-compliance with sustainable farming methods.



The verification is the result of the combined internal and external evaluations. This allows us to evaluate to what degree the farmers' improved agricultural, social, ecological and economic practices are influencing sustainable agricultural development – and in particular the livelihoods of the farmers and their families.



## Theory of Change of the Lindt & Sprüngli Farming Program

The Lindt & Sprüngli Farming Program aims to create decent and resilient livelihoods for current and future cocoa-growing families and sustainable agricultural intensification. At the same time, its goal is to secure the supply of high-quality cocoa beans for Lindt & Sprüngli from a stable base of farmers. Our Theory of Change provides a simple description of the relationships that make up the transformation that the Lindt & Sprüngli Farming Program wants to achieve.

It demonstrates which direct results as well as which outcomes and longer-term effects the Program should obtain with its inputs and activities (the four Program elements). Parallel to this, we list our most important contributions to the Sustainable Development Goals (SDGs). The SDGs are 17 goals for sustainable development from the United Nations (UN).

### Theory of Change framework

#### Input and activities

The four Program elements

1. Traceability and farmer organization
2. Training and knowledge transfer
3. Farmer investments and community development
4. Verification and continuous progress

#### Output

Direct results

- The farmers are registered and organized in groups
- The farmers are trained in good agricultural, environmental, social, and business practices
- The farmers have access to agricultural services, inputs, and equipment
- Rejuvenated and diversified cocoa farms and additional income sources
- The farmers have access to financial products
- Child labor monitoring and remediation systems (CLMRS) are in place
- Investments in community infrastructure (based on needs assessment)
- Farmers are monitored

#### Outcome

Benefits thanks to the Program

- Higher productivity on farms
- Diversified long-term incomes and increased resilience of farming households
- Conservation of biodiversity and natural ecosystems
- Reduction of the risk of child labor
- Improved community infrastructure (e.g. clean drinking water)

#### Impact

The long-term benefits of the Program

Decent and resilient livelihoods for today's and future cocoa farmers and their families, and a sustainable agricultural intensification while securing the supply of high-quality cocoa beans from a stable base of farmers



## Alignment of the Lindt & Sprüngli Farming Program with the Sustainable Development Goals (SDG)



### SDG 1 No poverty: End poverty in all its forms everywhere

By promoting sustainable economic growth, the Program is able to address some of the root causes of poverty in the long-term. The goal is to achieve higher net incomes, more employment opportunities, and higher profitability for cocoa cultivation among targeted small-scale farmers. (> see Elements 2 and 3 on pp. 16–17; Ghana pp. 20–21; Ecuador p. 25)



### SDG 2 No hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

During specific nutrition training sessions in Ghana, farming households learn how they can enrich their diet with foods that they can plant and raise themselves to ensure a more balanced and healthy diet for their families. In all our countries of origin, agricultural training and coaching sessions aid the farmers in learning how to make more optimal use of their own farmland with agroforestry systems, which also helps them to achieve greater self-sufficiency and income diversification. Farmers also receive suitable fruit or nut shade trees.

(> see Elements 2 and 3 on pp. 16–17; Ghana pp. 20–21)



### SDG 6 Clean water and sanitation: Ensure availability and the sustainable management of water and sanitation for all

Building water supply systems, conducting training sessions on water, sanitation and hygiene, distributing drinking water filters and promoting agroforestry cultivation systems improves access to drinking water and promote sustainable water management.

(> see Element 3 on p. 17; Ghana p. 21; Madagascar p. 27; Papua New Guinea p. 29)



### SDG 8 Decent work and economic growth: Promote stable, inclusive and sustainable economic growth, productive full employment and decent work for all

The Program supports decent work for all by offering training sessions in labor standards, regular inspections on the ground, and specific measures strive to prevent, monitor and ultimately abolish child labor in at-risk countries. Thanks to its wide-reaching support measures, the Program also promotes sustainable economic growth and a secure livelihood for farmers' families.

(> see Elements 2 and 3 on pp. 16–17; update on the implementation of the Action Plan Against Child Labor in Ghana p. 23)



### SDG 15 Life on the land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

The Farming Program supports sustainable intensification of agriculture through training and coaching of farmers in professional environmental and agricultural practices as well as the promotion of climate-smart farming methods and agroforestry. At the same time, it contributes to the preservation of natural ecosystems and prevents the further clearing of high conservation value forest areas for cocoa cultivation through the implementation of the [No-Deforestation & Agroforestry Action Plan](#), piloting satellite monitoring systems and participation in landscape projects.

(> see Elements 2 and 3 on pp. 16–17, No-Deforestation & Agroforestry Action Plan p. 36; Dynamic agroforestry in Ecuador p. 25)





## Farming Program in Ghana

In Ghana, our largest country of origin for cocoa beans, the Program continues to evolve and foster innovation. A total of 64,812 farmers organized in 1,812 clusters (societies) were part of the Program in the 2018/2019 cocoa season. As of the beginning of the 2016/2017 cocoa season, all of our cocoa beans from Ghana are traceable and externally verified. This year, interventions addressing major challenges for cocoa production in West Africa have been intensified once again, including farmers' income insecurity, food self-sufficiency, environmental impacts of cocoa cultivation and child labor risks. We continue to work tirelessly with our local implementation partner and with support from funding partners to offer innovative solutions to support the farmers and their communities.

With the invaluable financial support from the Swiss State Secretariat for Economic Affairs (SECO) within the framework of the private sector co-financing facility on the Swiss Platform for Sustainable Cocoa, we have strengthened our Farming Program in three main areas:

### **Sustainable intensification of cocoa cultivation**

This Program area focuses on increasing productivity while maintaining the farmer's land size. We increase farmers' capacity through group trainings and coaching sessions to enable them to adopt practices that will prepare them for the negative effects of climate change on their farms. To date, 63,003 farmers (97%) participated in training sessions on good agricultural, social or environmental practices, and more than 6,300 received focused training sessions on climate-smart practices. In addition to Farmers' Farm Schools held in each cluster (society), which demonstrate good practices to farmers, we established 79 model farms to train farmers in soil sampling and fertilization. The Program also supports the renovation of the overaged farms registered in its Program by distributing high-yielding and disease-resistant cocoa seedlings. During this cocoa season, the Program distributed a total of 1.9 million cocoa seedlings.

### **Creation of additional income sources**

The seasonal nature of cocoa cultivation results in unstable cash flows for cocoa-farming households. Consequently, farmers need additional and alternative income sources to meet their expenses. To address this, we will develop new initiatives such as the establishment of a revolving fund aimed to provide financial support to farmers who participated in our additional-income training. Since the start of the Program, 14,780 farmers have received training on how to generate additional income. These farmers will be the initial target of the revolving fund that will be put in place in cocoa season 2019/20.





### Secured incomes and asset building

We also strengthened our activities which aim at securing and building assets such as land and savings. We collaborated with ► *Meridia* to pilot the provision of land documentation services to farmers in one cocoa-growing district. Eighty-nine farmers signed up for the services, and almost half of them paid for their services in full and received their land document. The land document states the rights of farmers to cultivate on their farm and is typically signed by the village chief and local leaders in the community.

The organization of Village Savings & Loan Associations (VSLAs) is becoming a key success factor within the Program to promote savings in an environment of small family farms excluded by formal financial institutions. In total, 87 VSLAs were established in Program communities, and 1,567 members saved a total of GHS 81,744 (\$ 17,056).

### Cocoa nutrition initiative

Like these long-term income-security initiatives, our initiative for vegetable farming and animal rearing is contributing to the generation of additional income. The initiative is part of our participation in the Cocoa Nutrition Initiative, co-funded by the IDH Sustainable Trade Initiative and launched in cooperation with the Global Alliance for Improved Nutrition (GAIN). Within the context of this project, 1,155 farmers have received training targeted at behavioral changes to promote the production and consumption of animal proteins and vegetables with an overall goal of improving nutrition intake.



### Climate change

To mitigate the negative impacts of climate change, the Program focuses on promoting resilient farms by various means, such as fostering agroforestry systems with the distribution of shade trees (2019: 335,875, plan for 2020: 600,000). Our interest in protecting the environment was also the basis of our commitment to the Cocoa & Forests Initiative and the start of the implementation of the ► *No-Deforestation & Agroforestry Action Plan in Ghana* (> see Biodiversity and ecosystems p. 36).

### Community development

Furthermore, with regard to the improvement of community water infrastructure, we have succeeded in bringing the total number of water access points to 211 since the Program began, constructing 60 new ■ *boreholes* in 2019. We also adapted the training materials according to climate impact zones to strengthen the training and increase farmer awareness.

### Child labor

Within our own supply chain, we continue to be rigorous in protecting children and work towards finding relevant solutions to addressing the root causes of child labor (> see update on the implementation of the Action Plan Against Child Labor in Ghana, p. 23). As part of our approach, we are investing in infrastructure measures like ■ *building new schools* and providing school supplies. Our ■ *field staff* continues to hold training and sensitization courses and to monitor child labor issues within the supply chain. In order to strengthen our existing activities, we have engaged a child labor expert as our Sustainability Representative for Africa, who is based closer to the Program. With his support, we will further improve our Action Plan Against Child Labor in Ghana.





Harvesting season in Ghana – A sustainable intensification of cocoa cultivation, as fostered in the Lindt & Sprüngli Farming Program, means a long-term, larger cocoa harvest on a constant or smaller area of land.



## Update on the implementation of the Action Plan Against Child Labor

By 2020: 100% of cocoa farms for cocoa beans in countries of origin with a risk of child labor are covered by a Child Labor Monitoring and Remediation System (CLMRS). By 2025: 100% of cocoa farms for all cocoa products in countries of origin with a risk of child labor are covered by a Child Labor Monitoring and Remediation System (CLMRS)

This year, our Child Labor Monitoring & Remediation System (CLMRS) is once again reaching all the farmers involved in the Lindt & Sprüngli Farming Program in Ghana, focusing on the following three elements:

### 1. Training and awareness-raising:

The Program's field staff continued the awareness training and sensitization of farmers regarding child labor issues and educated them toward avoiding child labor. They intensified these awareness-raising activities during high-risk periods, such as harvesting and pruning season. The primary aim of these trainings was to allow farmers to distinguish between appropriate and light work allowed to be carried out by children in a family context and the hazardous tasks prohibited for children – as well as understanding the reasoning behind it.

### 2. Identifying prohibited child labor:

Each Program district is equipped with a CLMRS Steering Committee, consisting of an average of eight field staff with varying levels of authority. The committees conduct announced and unannounced visits to farms. The goal is to identify prohibited child labor. The committees document both the cases discovered at the cocoa farms they visit as well as those identified beyond the farm level.

### 3. Elimination of child labor:

The Program continues to favor local solutions agreed upon with parents of children engaged in child labor practices. In 2019, 12 cases of child labor were observed by field staff during their child labor monitoring visits in the communities, where of only three cases were related to Lindt & Sprüngli Farming Program farmers. Of those three cases, two were found working on cocoa farms and one child was found doing work not related to cocoa farming. All of the 12 cases of child labor detected in 2019 were successfully and completely solved through conversations with parents, warnings or advices being given, and sensitization training to promote change. As a result of the interventions of the field staff, parents were able to understand the importance of not sending their children to work because it is dangerous at their age. As well, they were encouraged to prioritize their children's school attendance rather than making them work for the parents' benefit on farms during school hours.

In addition, having 29 schools currently under construction is expected to increase the reception capacity of existing schools to provide educational opportunities for more than 3,034 children in the communities each year. An estimated 999 students in total, respectively around 111 students per year, have so far attended school in the three-unit classroom block built in 2011/11.

The issue of insufficient income that affects farmers' households and is reported as one of the major reasons for child labor is also addressed in our initiatives by facilitating the creation of additional sources of income for farmers and their spouses.

Establishing a revolving fund and accelerating the set-up of Village Savings and Loan Associations (VSLAs) in communities will help farmers save money to develop additional

income-generating activities. This will enable them to increase and extend their income over the entire year so that they can more easily cope with the costs of educating and caring for their children.

### Improvement of the existing Lindt & Sprüngli CLMRS

A number of initiatives within the framework of the Lindt & Sprüngli Farming Program are directed towards creating an environment conducive to growth, education and the protection of children. This will support us in our ambition to eliminate child labor in our communities. We have decided to move beyond our risk-oriented concept within the current "Action Plan Against Child Labor" to a more proactive and opportunity-based concept with a new "Action Plan for Child Protection". With this new orientation, we will strengthen our activities by combining both our supply chain and community-level approaches and focusing on two major areas: monitoring and remediation.

We believe that child labor issues can only be resolved by addressing their root causes. From our point of view, combatting child labor consists of introducing long-term solutions for correction but also for prevention. This is why, in the future, our approach will target complex and wide-ranging root causes of child labor even more, beyond direct actions for corrective measures for children found at work. Through proactive preventative measures, our approach addresses the challenges encountered by households and communities directly.

## Ghana Impact Assessment

KIT Royal Tropical Institute (KIT) conducted an impact evaluation of the Lindt & Sprüngli Farming Program in Ghana in March 2019. Based on quantitative and qualitative methods, the evaluation covered a variety of topics in line with the Program's ► *Theory of Change*. To monitor change over time, KIT compared cocoa-farming households from 'old verified societies' that joined the Lindt & Sprüngli Farming Program in the 2013/2014 season with 'new societies' that joined in the 2017/2018 season.

Cocoa constitutes the cornerstone of farmers' livelihoods. While households engage in different income-generating activities, cocoa production is, by far, the most important livelihood activity – accounting for 72% of household income. Financial gains from crop diversification seem to be low, suggesting that households sell relatively little and/or that prices for the other crops they produce are low. Despite the high dependency on cocoa, food security is high among the surveyed households. It can be assumed that the training by the Lindt & Sprüngli Farming Program in crop diversification contributes to the diversity of crops grown and therefore to food security as well.

The evaluation notes a positive impact of the Lindt & Sprüngli Farming Program on yields, as farmers from old verified societies have significantly higher average yields (640 kg/ha) than farmers from new verified societies (570 kg/ha). A number of Lindt & Sprüngli Program activities correlate positively with yields, particularly record-keeping, post-harvest quality management, farmer business schools, field (coaching) visits and the use of fertilizer. However, some activities of the Lindt & Sprüngli Program show a tradeoff when it comes to yields. For example, harvest management, due to the discarding of diseased or damaged pods during harvest, and child labor prevention training,

due to the resulting reduction of family labor, have a negative effect on yields. It should be noted that farmers from new verified societies attended fewer training sessions on these topics than farmers from old verified societies.

Poverty is high among surveyed farmers, especially among female-headed households, and most farmers do not earn a ► *living income*. Net annual income from cocoa varies considerably between household categories and averages USD 1,731 for typical male-headed households. This leads to a total annual household income of USD 2,503 for typical male-headed households. Farmers from old verified societies have a smaller gap to the ► *Living Income benchmark* than farmers from new verified societies (38% gap versus 44% gap).

It is too early to measure the impact of the Lindt & Sprüngli Farming Program on sustainable intensification. Thus far, the use of fertilizer and plant protection products is widespread among farmers, whereas adoption of good environmental practices lags behind, particularly for shade management and the use of organic inputs. Moreover, 43% of households reported having increased their land size under cocoa cultivation in the last five years, mostly by clearing shrubs or low bushes, but also by converting forest. This suggests that sustainable intensification is not yet practiced adequately.

The findings indicate the need to revisit some of the assumptions of the Theory of Change from the Lindt & Sprüngli Farming Program. Future programming can benefit from an increased focus on farmer segmentation and customized services to address the considerable differences among farming household categories according to their needs.

For further information, please see the publications on the ► *Farming Program website*.

### Lindt & Sprüngli response to the Impact Assessment by KIT in Ghana

We thank KIT for the quality and professionalism of the work carried out in the context of this impact evaluation, and we fully endorse the study's findings and conclusions. After ten years of having the Lindt & Sprüngli Farming Program in place in Ghana, it was gratifying to see that it has had a positive impact on the farmers, and that farmers are happy to be part of the Program. We also noted that topics and activities that have already been a part of the Program for many years were well received and attended by the farmers. Furthermore, farmers who have spent more time in the Program have seen a greater impact than those who have recently joined.

Nevertheless, we also discovered where we still have more work to do, and where impact is lagging behind our vision. The Program in Ghana has recently been enriched with new activities that cover some of the recommendations formulated by KIT. KIT's suggestions are therefore a confirmation for us that we are working in the right direction and encourage us to scale up the innovations introduced in recent years. For those recommendations which are not yet covered within the framework of our current activities, we will work with our implementing partner to integrate them progressively into our activity planning.



## Farming Program in Ecuador

Ecuador is our most important origin country for fine-flavor cocoa beans. During the 2018/2019 cocoa season, a total of 8,473 farmers participated in the Farming Program (increase of 28% compared to 2017/2018 season). Most of the farmers participate individually, but we also continued to integrate smaller cooperatives.

In the four years since the Program was established, 79% of farmers attended all the basic training modules in good agricultural, environmental and social practices offered by the Program. Individual coaching continues to increase in importance, with 72% of farmers receiving at least one coaching visit during the last season. Additionally, farmers can visit special workshops, e.g. on compost making or income diversification. Going forward, coaching and workshops targeted to farmers' specific needs will play a bigger role.

In order to motivate farmers to continue planting fine-flavor cocoa, another 127,700 high-yielding and disease-resistant seedlings from ► [INIAP](#) and community nurseries were distributed. Compared to the previous season, the number of seedlings was lower in 2018/2019, as an increased focus was placed on grafting to rehabilitate older farms. Grafting helps to rejuvenate old trees as grafts start producing cocoa after just one year, compared to three years for new seedlings. Along with cocoa seedlings and grafting, over 30,000 shade trees were distributed.

Training courses combined with farmer investments are starting to show the desired results. More than 70% of farmers already implement most of the best practices, and yields have increased on average up to 100% (from 300kg/ha to almost 600kg/ha) since the beginning of the Program. Farmers also achieve a higher net income through the reduction of production costs. As an example, mechanized pruning equipment reduces labor days from 5 to 2 per hectare compared to manual pruning.

To further support farmers in implementing what they learn in the training courses, necessary tools and inputs were distributed, such as fertilizers, products for pest and disease control, mechanized pruning and weeding equipment, or fermentation equipment and dryers for improved post-harvesting.

A new project our suppliers started implementing with ECOTOP Suisse is also of special importance to us. The goal is to develop Dynamic Agroforestry Demonstration Plots on different types of farms, which function as a system so that external inputs become redundant. Farmers can then learn how to apply all or some of the elements of this regenerative approach on their own farms.

### Diversity of cocoa varieties

A distinction is made between consumer and fine-flavor cocoa. Consumer cocoa (generally of the Forastero variety) accounts for the largest share (90–95%) of total cocoa production and is farmed mainly in West Africa. Around 5–10% of worldwide cocoa harvests is fine-flavor cocoa (mostly of the Criollo and Trinitario varieties). Fine-flavor cocoa is associated with nuanced, fine flavors. It is mainly farmed in Latin America and the Caribbean. Around one-third of all the cocoa beans processed by Lindt & Sprüngli are fine-flavor cocoa beans. It is vital for Lindt & Sprüngli to have a broad diversity of cocoa beans and to ensure that the aromatic fine-flavor beans are readily available. Lindt & Sprüngli therefore supports efforts to preserve the diversity of cocoa varieties, for example through partnerships with the ► [Tropical Agricultural Research and Higher Education Center \(CATIE\)](#), which oversees the ► [Cacao Genetic Improvement Program](#), and with the ► [Cacao Research Center of the University of the West Indies in Trinidad](#), which possesses the largest cocoa collection in the world.



Farming Program Ecuador – Majority of farmers attended all the basic training modules in good agricultural, environmental and social practices.



## Farming Program in Madagascar

The Program in Madagascar grew to include 2,014 farmers. These farmers do not use any chemicals for cocoa production but learn which organic materials they may apply to increase agricultural production or fight pests and diseases biologically. We established the first two model farms to show farmers on different plots the effects of a variety of good agricultural practices, such as tree maintenance, organic fertilization, organic pest and disease management or a combination of the latter compared to no treatment. These approaches should also help farmers to measure inputs (e.g. labor hours, costs for cow dung or costs of organic pest and disease management) against outputs, enabling them to decide how to best treat their farms. Furthermore, the Program supported two communities in small reforestation activities and subsidized the distribution of 2,916 shade trees and 17,805 cocoa seedlings.

In October 2019, the third water system financed by the Lindt Cocoa Foundation was inaugurated in the village of Marovato, in the country's northwestern region. The three systems now have a total of approximately 7,840 subscribed beneficiaries. Additionally, as the result of the WASH (water, sanitation and hygiene) training, around 40 households (with 396 people) built latrines under the guidance of the Program in order to improve their sanitation situation.



### How do the water systems built in Madagascar work?

Solar pumps or gravity is used to pump water into a tank. The tank has the capacity to supply 5,000 residents with clean drinking water. To receive a private water connection, a fee must be paid (one-off amount of CHF 150) and a contract is made. When a family has a connection in their yard, they usually share it with their neighbors – on average approx. 30 people. Many residents use the public tap where they can fill their plastic barrels. One cubic meter of water costs CHF 0.50. This money helps to ensure that the system is self-sustaining, e.g. that maintenance work and water quality control can be financed. An experienced company, which has already built and maintained drinking water systems throughout Madagascar, is responsible for the ongoing water quality control and maintenance of the infrastructure. A contract between the company and the municipality ensures a fixed water price for farmers for 15 years.

Together with other partners, we will be starting a landscape project in the cocoa-producing region in Sambirano, which will be co-funded by the State Secretariat for Economic Affairs (SECO) in the frame of the Swiss Platform for Sustainable Cocoa. The project has a time frame of approximately ten years and will support the development and implementation of an adequate planning instrument that considers the competing interests in this multifunctional landscape. The overall goal of this collaboration is to have sustainably managed landscapes in Sambirano contributing to resilient livelihoods for the local population and to cocoa production without deforestation.





Farming Program Madagascar – Farmers learn how to apply organic materials to increase production or fight pests and diseases biologically.



## Farming Program in Papua New Guinea

The Program grew from 1,117 to 2,670 farmers in the 2018/19 cocoa season, with a team of 14 field staff deploying the Program in the field. The farmers are heavily involved in the Program, with 96% of farmers having completed all of the six training modules offered with topics ranging from good agricultural practices to conservation of natural resources and social issues like gender equality and HIV/Aids. The practical part of the training was supported with the 30 model farms in place. Nearly 90,000 cocoa seedlings were distributed during the last cocoa season, adding up to 108,000 seedlings since the start of the Program. The new seedlings should help farmers to increase productivity by reaching the recommended tree density or replanting overaged farms while ensuring that no cocoa cultivation expansion into forests takes place. Furthermore, all farmer groups received a set of tools in order to be able to implement what they learned in the training courses. Based on a needs analysis, two schools were renovated last season, benefiting approximately 429 children, and one drinking water system was refurbished, serving approximately 2,000 community members.



## Farming Program in the Dominican Republic

The number of farmers in our newest Farming Program has more than doubled in the last season, now totaling 456 farmers. A good participation rate of (on average) 85% in farmer training sessions was achieved, with 278 (60%) farmers who already completed all of the basic training modules.

New special workshops began to be offered to farmers, including workshops on additional income-generation activities for women, entrepreneurship for youth, conservation of natural resources and biodiversity, as well as availability and quality of household water. These workshops were very well received by the attendants, and also provided a great deal of insight into how we could further move forward in these areas. Farmers also received support to implement what they learned in the training sessions.

To rehabilitate and renovate the farms, five seedling nurseries are now up and running, together producing almost 95,000 seedlings during the 2018/2019 cocoa season. The unusual dry weather conditions, however, affected the survival rates on the farms, which were lower than projected (78%). The distributed seedlings are grafted in the nurseries with a combination of cocoa varieties that are categorized according to disease tolerance, flavor and quality, yields, and pollination. While the focus was mainly on renovation during the past season, next season will also focus on rehabilitation.



## Cocoa butter and other cocoa products

100% of cocoa is sourced through sustainability programs by 2025

Cocoa butter is a crucial ingredient in chocolate production, with comparatively more cocoa butter than sugar used to produce premium chocolate. In accordance with our commitment to traceability for cocoa beans, we have also set a goal to purchase cocoa butter made from beans from sustainability programs. To accomplish this, we rely on a segregation approach, which means that all of the beans from sustainability programs are processed separately from conventional beans.

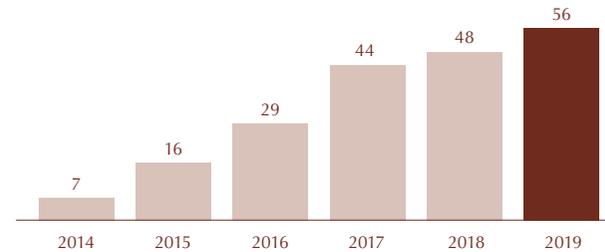
The strict quality demands we place on cocoa butter present significant challenges in realizing this goal. Furthermore, a lack of interest in sustainability by other market players results in a low degree of willingness by them to purchase the cocoa powder, a byproduct of the cocoa butter production, with a sustainability premium from our suppliers. Despite these challenges, we began to develop dedicated traceable and segregated systems to source cocoa butter in cooperation with our cocoa butter suppliers in 2016. After piloting projects, we are now confident that by 2025 all of our cocoa butter requirements can be fulfilled with segregated and verified cocoa butter. In 2019, we achieved to source 27% segregated and verified cocoa butter. We continue to work on improving our programs. Accordingly, we have started the implementation of the goals laid out in our [►No-Deforestation & Agroforestry Action Plan](#) in the cocoa butter sustainability programs (> see Biodiversity and ecosystems p. 36).

We are involved as co-leader of the working group [►Traceability of Cocoa Butter](#) from the [►Swiss Platform for Sustainable Cocoa for Developing an Industry Solution](#). The long-term goal is that cocoa butter suppliers will convert all or at least part of their factories to process cocoa beans from sustainability programs. This is similar to how palm oil suppliers in Europe have implemented this change in the past years.

Taking into account all of the cocoa products (beans, butter, powder and finished chocolate), 56% of the cocoa we purchased in 2019 was traceable/segregated and verified according to the [►ICCO conversion factors](#).

### Cocoa sourced through sustainability programs

% of cocoa (beans, butter, powder and finished chocolate) sourced through sustainability programs ([►ICCO conversion rates](#))



## Evaluation and outlook

The goals we have set for 2025 are an acknowledgement of our long-term commitment to sustainable cocoa. They underline our intention to improve the livelihoods of the farmers, their families, workers and the corresponding communities. Over the coming years, our approach will increasingly focus on environmental topics, in particular environmentally friendly agricultural practices, agroforestry and no-deforestation, as well as improved protection of water resources and water management. We have also planned to implement more innovative and targeted training approaches in many origin countries.

In the Farming Program in Ghana, our focus in the coming years will be on demonstrating the importance of shading and crop diversification to farmers. In 2020 we aim to distribute 600,000 shade trees and establish special demo plots to teach agroforestry as well as farming without the use of chemicals. Fostering organic production methods to improve productivity, in line with our objective for sustainable

intensification, will also be a key aspect in our other countries of origin such as Ecuador. Our Program in Ghana will also continue to focus on the issue of child labor. We recognize the severity of child labor in cocoa production and will work toward strengthening our existing initiatives through the adoption of a more rewarding, participative and proactive approach. We will also scale additional income-generation activities and, wherever possible, combine them with an environmental focus.

In Madagascar, we plan to shift our focus to topics like income diversification, food security and balanced nutrition, climate-smart cocoa and agroforestry in 2020. In terms of community investments, assess further needs regarding electrification, schools and water and then define our next steps. Finally, the implementation of the landscape project in collaboration with the other partners will be a special priority for us in Madagascar.

Our Program in Papua New Guinea will again grow in size during the next season. New Program elements such as individual farmer coaching, financial literacy training and access to banking will ensure that the Program remains attractive to farmers who have been part of it for more than two years. We will also focus on the distribution of more shade trees in order to achieve the agroforestry targets and to serve the farmers as an additional income source. In the Dominican Republic, our focus in the next season will move from renovation towards rehabilitation, as well as the optimization of agroforestry systems.

Alongside our Farming Program for cocoa beans, we are planning to further develop the sustainability programs for other cocoa products. For the cocoa products we source in lower quantities, such as cocoa powder and chocolate (for Russell Stover only), we are developing strategies so that by 2025 all of our cocoa products will come from sustainable sources.



## Human rights in the supply chain

80% of our procurement expenditure for raw and packaging materials bearing significant sustainability risks is covered by a sustainable sourcing program by 2025

Human rights are universal and inherent to all human beings. Nevertheless, human rights violations are still widespread. This includes various human rights issues such as discrimination, land rights, child labor, forced labor or the right to health. The impacts range from minor limitations on individual rights to the total abandonment of self-determination or loss of life. In globally interconnected value chains, companies are directly or indirectly linked to human rights risks and called upon to respect human rights.

Recent political developments put further pressure on respect for human rights. Non-governmental organizations in particular have always been strong advocates of human rights and raise awareness among consumers. In recent years, legislative requirements for businesses have increased, and human rights considerations have largely been a part of the agenda of financial stakeholders. In line with the interests of these stakeholders, focus must be on the affected rightsholders who are potentially or actually impacted by human rights violations.

Lindt & Sprüngli recognizes its responsibility to respect human rights and international labor standards as defined in the UN Guiding Principles for Business and Human Rights. A significant part of our potential human rights impacts is related to our supply chain and mainly managed through

the focus areas “Human rights in the supply chain” in general and “Rural development” specifically for cocoa. Further activities to support and respect human rights with regard to our own operations and consumer-related issues are addressed in our focus areas such as “Occupational health and safety”, “Business integrity”, “Transparent and responsible communication” and “Product quality/Product safety”.

Group Procurement is responsible for coordinating the human rights activities in the supply chain in close collaboration with the Raw Material & Sustainability Team. Our Supplier Code of Conduct is our main tool to raise awareness and communicate our expectations to all of our suppliers and demand adherence to them. Furthermore, we observe and review human rights risks associated with our sourced raw and packaging materials on a regular basis to identify the most prevalent issues. Based on this, we define specific approaches and programs to further assess, prevent and mitigate potential and actual human rights impacts. We are committed to using our leverage in the value chain to encourage our suppliers and business partners to follow our example.

Our flagship program, the Lindt & Sprüngli Farming Program, covers human rights issues for cocoa sourcing and is managed under the focus area “Rural development”. In addition, we have developed specific programs addressing human rights issues for hazelnuts from Turkey and for packaging materials from Asia. For raw materials where we have less leverage, we cooperate with recognized standards and initiatives (>see Palm oil p. 37 and Soy lecithin p. 37).



## Hazelnuts

100% of Turkish raw (unprocessed) hazelnuts

are sourced through sustainability programs by 2020

Hazelnuts are a key raw material for our chocolate products. We source them from Italy, the US, and Turkey. Turkey's Black Sea region produces around 70% of the global hazelnut harvest, yet it also presents serious challenges such as child labor and poor living and working conditions for migrant workers. We have been working closely with our Turkish hazelnut suppliers since 2014 on implementing sustainable hazelnut programs. Today, all of our Turkish suppliers are members of the ► *Fair Labor Association (FLA)*.

Following the same structure as the Lindt & Sprüngli Farming Program, ensuring supply chain traceability is the first step our suppliers work on. The second step is to support the farmers and workers with training courses. The training for farmers and their wives includes professional agricultural, ecological and social practices. Held both in their home villages in southeastern Turkey and in the Black Sea region, the training for workers focuses on topics such as workers' rights, occupational health and safety, and health protection in general.

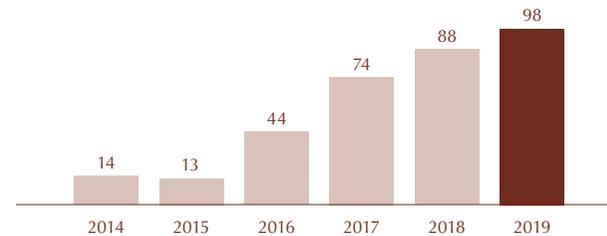
Investments in sanitation systems and the renovation of workers' accommodations, mobile health check-ups, and summer schools for workers' children also contribute to improved living conditions. The internal monitoring of the farmers and the external evaluation of the projects support the tracking of program effectiveness and the identification of additional improvement potential.

In 2019, we sourced 98% of all raw (unprocessed) hazelnuts from a sustainability program. We are confident that we will achieve our goal of sourcing 100% of raw (unprocessed) Turkish hazelnuts from sustainability programs by 2020, thereby reaching a further milestone in the sustainable procurement of raw materials.

In 2020, we will continue to work closely with our Turkish hazelnut suppliers and support them as they expand and improve their sustainability programs.

### Sustainable hazelnuts

% of raw (unprocessed) hazelnuts from Turkey that were sourced from a sustainability program



## Packaging

90% of our procurement expenditure for

packaging material from Asian factories is covered by a sustainability program by 2020

Packaging material plays a crucial role in the production chain at Lindt & Sprüngli because chocolate is a fragile product. While packaging should be attractive to the consumer and provide information about the contents, its main task is to protect the valuable chocolate inside.

We work with leading packaging manufacturers in the respective industries who are increasingly engaged in sustainability along the entire value chain. Their sustainability performance is a selection criterion and influences our business decisions. We assess significant packaging suppliers regularly with off-site or on-site assessments depending on their risk profile and aim to develop our suppliers to improve the performance of our supplier portfolio over time.

The majority of our packaging manufacturers rely on modern production technology and have robust management systems in place to minimize environmental and social impacts. The packaging material we buy often comes from suppliers located near our factories in Switzerland, the EU, and the US. This helps to avoid long transportation distances and high emission levels.

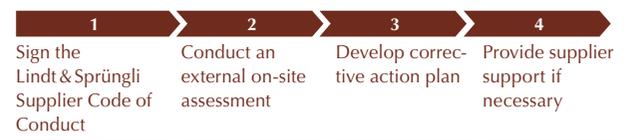
Nevertheless, around 10% of our packaging expenditure is with suppliers in Asia. This is particularly true for many of our more decorative items for seasonal products such as tin boxes or plush toys. In Asia, we have access to a highly specialized market for this type of product. To ensure that our Asian suppliers adhere to the ► *Lindt & Sprüngli Supplier Code of Conduct* regarding issues such as guaranteeing freedom of association, we monitor and improve responsible production practices through the Supplier Sustainable Practice Program (SSP).

As part of this Program, specialized sustainability experts make regular visits to our suppliers – and in some cases sub-suppliers – on the ground, uncover non-compliance with social and environmental standards, and draft corrective action plans together with the suppliers. To achieve this, Lindt & Sprüngli applies a cooperative, progress-oriented approach that encourages long-term improvements and offers targeted support services. The Program currently covers 89.4% of our purchasing expenditure on packaging from Asia and is being rolled out to new suppliers on an ongoing basis.

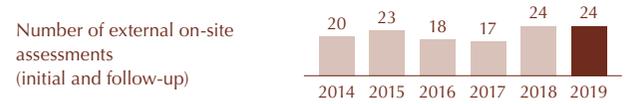
The Program is carried out in close cooperation with our subsidiaries’ local purchasing organizations. These also conduct additional assessments harmonized with the SSP Program and enact support measures. In 2019, we also increased the involvement of intermediaries, as they play a key role in long-term improvements.

In 2019, out of 24 initial and follow-up assessments, 18 suppliers received a satisfactory or positive overall result. Whenever we observe zero-tolerance violations or a supplier repeatedly fails to improve, we will also block suppliers. Currently, we have nine factories on our Group-wide blocked list, including one factory from 2019.

**Four steps of the Lindt & Sprüngli Supplier Sustainable Practice Program**



**Supplier Sustainable Practice Program**



**Evaluation and outlook**

We were able to significantly strengthen our existing approaches for Turkish hazelnuts and packaging from Asia. Our target of sourcing 100% of our raw (unprocessed) Turkish hazelnuts from a sustainability program is within reach. A five-year review of our Supplier Sustainable Practice Program showed a significant improvement in the sustainability performance of our packaging suppliers in Asia. Nevertheless, there are still further improvements needed to address systemic industry issues such as overtime. We are therefore continuing with the SSP Program and further intensifying the collaborative approach with our long-term business partners.

Based on our raw materials risk assessment, we have short-listed raw materials with significant sustainability risks and developed corresponding action plans. These will be adopted in 2020 with the aim of setting up sustainability programs that will put us on track to achieve our goals for 2025.



Contributing to an intact environment

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## Biodiversity and ecosystems

100% of sourced cocoa is free from deforestation by 2025

Our global food system is highly dependent on biodiversity and the healthy functioning of our ecosystems. A wide variety of species can support ecosystem services that provide clean water, air and enriched soils, for example. In so doing, these services can positively influence biological and agricultural productivity. At the same time, agricultural practices affect biodiversity and ecosystems. Regenerative agricultural practices such as dynamic agroforestry schemes and reforestation efforts can be beneficial for species and ecosystem conservation. On the other hand, deforestation or the use of chemical inputs can lead to biodiversity loss.

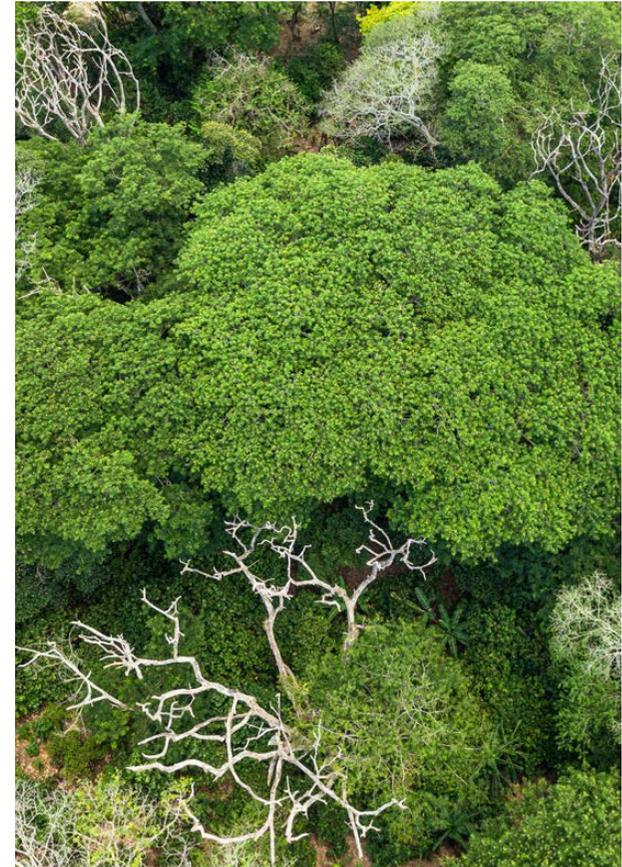
Environmentally sensitive stakeholders have shown interest in these issues for a long time. However, the economic benefits from ecosystem services are increasingly being recognized by financial stakeholders such as investors and analysts.

At Lindt & Sprüngli we realize that responsible natural resource management is more essential than ever for our shared society. We believe that we must contribute positively by ensuring that our cocoa activities are occurring in harmony with the rainforests found in our sourcing regions. We have the most relevant impacts regarding biodiversity and ecosystems in our supply chains, which are directly linked to our sourcing activities. We also contribute directly to a

functioning ecosystem through our Farming Program. Moreover, intact biodiversity and ecosystems are essential for the quality and availability of our raw materials.

We observe and review the environmental risks associated with our sourced raw and packaging materials, including biodiversity and ecosystem aspects. We prioritize raw materials with the most significant impacts on biodiversity and ecosystems, develop suitable approaches to prevent and mitigate potential negative effects, and contribute to the recovery of ecosystems in collaboration with stakeholders. In our Supplier Code of Conduct, we have defined the expectation for all suppliers to minimize their impacts on natural resources including air, land, forests and water.

Our Raw Material & Sustainability Team and Group Procurement coordinate the risk monitoring and approach-definition process. The implementation of an approach is then carried out by the most appropriate department. This means that “Biodiversity and ecosystems” is closely linked to “Human rights in the supply chain”, “Product quality/Product safety” and the Lindt & Sprüngli Farming Program in “Rural development”. As of now, we have defined specific approaches for sourcing cocoa, palm oil and soy lecithin. In a broader perspective of ecosystems, we have also defined an approach for procuring cage-free eggs.



## No-Deforestation Action Plan for cocoa

The growth of the cocoa industry over the past decades, coupled with aging farms with decreasing productivity, has increased the pressure on forest areas, especially in West Africa. Forests contain fertile soils for agricultural production, which can potentially be used as cocoa expansion areas to fulfill the growing demands for chocolate. At the same time, forests house vast amounts of biodiversity and provide critical environmental services such as carbon storage and water purification. While forests are thus critical to regulate the water cycle and the earth's climate, they continue to be degraded at alarming rates.

For this reason, we launched our ► *No-Deforestation & Agroforestry Action Plan* in 2019 for all of our countries of origin. Through this Action Plan and in partnership with our suppliers, we are implementing our commitment to source all of our cocoa from areas free from deforestation by 2025 (= covered by a fully implemented No-Deforestation & Agroforestry Action Plan).

2019 marked the first year of implementation of our Action Plan. We have published our ► *No-Deforestation & Agroforestry Progress Report*, in which we highlight our initial successes as well as key learnings to guide our journey over the coming years. The current status is as follows:

- 47% of cocoa sourced<sup>5</sup> from farms proven not to be located in protected areas as per local laws
- 56% of cocoa sourced<sup>5</sup> from farmers covered by a “No-Deforestation & Agroforestry Action Plan”
- 0% of cocoa sourced<sup>5</sup> from farmers covered by a fully implemented “No-Deforestation & Agroforestry Action Plan”
- 484,332 permanent shade trees distributed in cocoa sustainability programs in 2019

More indicators, specifically for the Lindt & Sprüngli Farming Program (cocoa beans only), can be found in the Rural development section (> see Lindt & Sprüngli Farming Program in numbers p. 15).

There are four primary objectives outlined in our Action Plan, all of which are adapted to local contexts during implementation:

1. No cocoa bean sourcing from protected areas as per local laws
2. No expansion of land for cocoa cultivation into areas defined by the High Carbon Stock Approach or equivalent
3. Agroforestry systems for cocoa production
4. Supporting (community) forest protection and restoration

Key milestones in 2019 included ensuring that all field staff working to implement our Farming Program are trained in the various concepts behind the Action Plan. Furthermore, our suppliers now have robust traceability systems in place that allow us to accurately identify the exact origins of our cocoa beans. Shade trees have been distributed on a larger scale than in previous years. Additionally, we have committed to better understand and protect forests in cooperation with the ► *Earthworm Foundation*. Together, we completed an integrated HCS/HCV assessment within the supply chain in the Enchi district (Ghana).

The ► *High Carbon Stock Approach (HCSA)* is a methodology that distinguishes forest areas for protection (together with HCV – High Conservation Value) from degraded lands with low carbon and biodiversity values that may be developed. In sourcing areas where HCS/HCV are not yet defined, we will work with accredited third parties to determine which regions we need to focus on.

Once these forest areas are identified, we must work with local actors on the ground to identify and implement activities to ensure that no further forest land is converted for cocoa production. Additional work is required for establishing and optimizing agroforestry systems on farms, including regenerative agricultural principles and elements, as well as supporting reforestation efforts.

As part of the activities to implement our Action Plan, we are also signatories of the ► *Cocoa and Forest Initiative (CFI)*. Through this partnership, we engage with other key players in the cocoa and chocolate industry, as well as the governments of Ghana and the Ivory Coast, to stop cocoa-related deforestation. Specific indicators on the CFI can also be found in the 2019 ► *No-Deforestation & Agroforestry Progress Report*.



<sup>5</sup> All numbers for our sustainable cocoa products sourced are calculated as bean equivalents, based on ► *conversion rates of the International Cocoa Organization (ICCO)*.

## Palm oil, soy lecithin and others

### Palm oil

We purchase 100% certified sustainable palm oil according to the ► *RSPO* certification models. For our chocolate mass, we only use cocoa butter as a vegetable fat. Palm oil, palm kernel oil, and their fractions, along with other vegetable fats, are only used in certain fillings. Palm oil and palm kernel oil have outstanding melting properties, have a neutral flavor, and remain solid at room temperature. Thanks to these specific qualities, we are able to avoid using hydrogenated vegetable fats. We only use limited amounts of palm oil and declare it on our product packaging. To overcome the challenges associated with palm oil, we have committed ourselves to purchasing sustainable palm oil according to the RSPO certification models.

Lindt & Sprüngli has been globally sourcing 100% certified sustainable palm oil, palm kernel oil and their fractions according to the RSPO certification models since December 2015. For all our products produced in Europe, we source 100% of our palm oil, palm kernel oil, and their fractions according to the RSPO “Segregated” standard. Under the segregation standard, sustainable palm oil from different certified sources is kept separate from ordinary palm oil throughout supply chain (see also the ► *RSPO Segregation model*). Our US subsidiaries use a mix of “Segregated” and “Mass Balance” palm oil, palm kernel oil, and their fractions. Along with our decision to use only palm oil, palm kernel oil and palm fractions that comply with RSPO standards, we also review the use of palm oil in each of our newly developed products and actively search for alternatives.

### Soy lecithin

We use soy lecithin to create the desired consistency of our melt-in-the-mouth chocolate. Soy cultivation is associated with different environmental and social impacts, in particular soy grown in rainforest regions. We rely on trustworthy external standards to address potential negative impacts. Since 2018, almost all of the soy lecithin used in producing our chocolate mass has been certified with the ► *ProTerra* standard. Exceptions are Russell Stover chocolates and very small quantities of white chocolate sourced by Ghirardelli.

ProTerra is a widely supported and recognized standard for social responsibility and environmental sustainability in the food industry based on the Basel Criteria for Responsible Soy Production. Topics covered by the standard include, for example, environmental impacts, human rights and responsible labor policies, and product traceability. Additionally, ProTerra is a certified label indicating non-GMO soy.

### Eggs

Just a few of our products produced in Europe, Australia and the US contain small amounts of egg. We are aware of the concerns for the well-being of laying hens and have set ourselves the target of not using any eggs from caged hens (shell, liquid or ingredients) in any of the products that are produced in our factories.

We commit to implementing this changeover globally for 100% of our sourced eggs (shell, liquid or ingredient) by the end of 2020, with the only exception being Russell Stover. We are currently unable to commit to a timeline for Russell Stover due to ingredients which are unavailable on the market from cage-free sources (no shell and liquid used). We will continue engaging with our suppliers, and as soon as the processed ingredients are available from cage-free sources in the required quality, we will complete the changeover for Russell Stover as well. We will continue to communicate annually our progress and information about the potential issues we could face.





## CO<sub>2</sub> and climate

**10% reduction of greenhouse gas emissions in the production process by 2020 per ton produced (base year 2015 = 100%)**

Climate change is one of the most pressing challenges of our time. It is mainly caused by greenhouse gas emissions and insufficient CO<sub>2</sub> storage due to land system changes. Among its largest direct drivers is the increasing global energy demand, which is an area where we have a direct influence for mitigation. Energy is required in the different production steps for making chocolate, such as heating, cooling, and transport. Greenhouse gas emissions can result from all these processes. Significant contributions to and impacts on climate change are linked to our supply chain, in particular in relation to agricultural production.

Simultaneously, we and our stakeholders are affected by climate change challenges. Physical risks from climate change, such as changes in temperature or rainfall, can have direct impacts on our raw materials, affecting their quality, availability or price. Our approach to adequately manage energy and emissions can further influence our cost efficiency and the risk of not meeting regulatory requirements. At the same time, we recognize the severity of climate-related impacts on our farmers and local communities, particularly those located in climate-sensitive regions affected by rising temperatures and droughts.

Consequently, Lindt & Sprüngli is focused on improving energy efficiency and reducing the carbon footprint of its chocolate. Our ► *Lindt & Sprüngli Environmental Policy* is our shared basis for all activities relating to environmental protection. Within our “Climate change” focus area, we address our impacts by reducing energy use and greenhouse gas emissions at our factories and facilitating the mitigation

of our supply chain emissions, which are addressed in other focus areas. Climate change impacts resulting from agricultural production are addressed through “Biodiversity and ecosystems” and “Rural development”. Supplier environmental requirements are further addressed in the “Human rights in the supply chain” focus area.

International Operations is responsible for defining our energy and greenhouse gas emissions strategy for production processes. The corresponding action plan is adapted and implemented at a subsidiary level. All of our factories are pursuing the goal of further decreasing their energy consumption in alignment with our Group commitment. We regularly undertake a detailed analysis of the existing systems and future investments to identify energy reduction potential and share results from local projects on a global level. Some of our factories also use certifications to improve their environmental management and energy efficiency. For example, our factories in Italy and France are ISO 14001 (environmental management) certified, and Lindt & Sprüngli Germany is ISO 51001 (energy efficiency) certified. Furthermore, we intend to increase the percentage of renewable energy within our overall energy consumption.

To assume our responsibility within our supply chain, we work with our suppliers, farmers and communities on these issues. Our Supplier Code of Conduct is our main instrument for communicating our expectations for the sustainable management of energy and emissions to our suppliers as well as demanding their compliance with the corresponding requirements (> see Human rights in the supply chain, pp. 31–33). We educate farmers on the implications of climate change and on climate-smart farming through the Lindt & Sprüngli Farming Program (> see Rural development, pp. 19–21). We

follow a no-deforestation strategy regarding cocoa sourcing (> see No-Deforestation & Agroforestry Action Plan p. 36).

In 2019, our subsidiaries implemented a variety of projects aimed at reducing energy consumption and increasing the use of renewable sources. Examples of such projects include the replacement of the central steam generation at Lindt & Sprüngli Germany with decentralized, environmental-friendly and cost-efficient steam boilers and the installation of solar panels at Lindt & Sprüngli Australia.



### **Lindt & Sprüngli Australia starts using its own solar power**

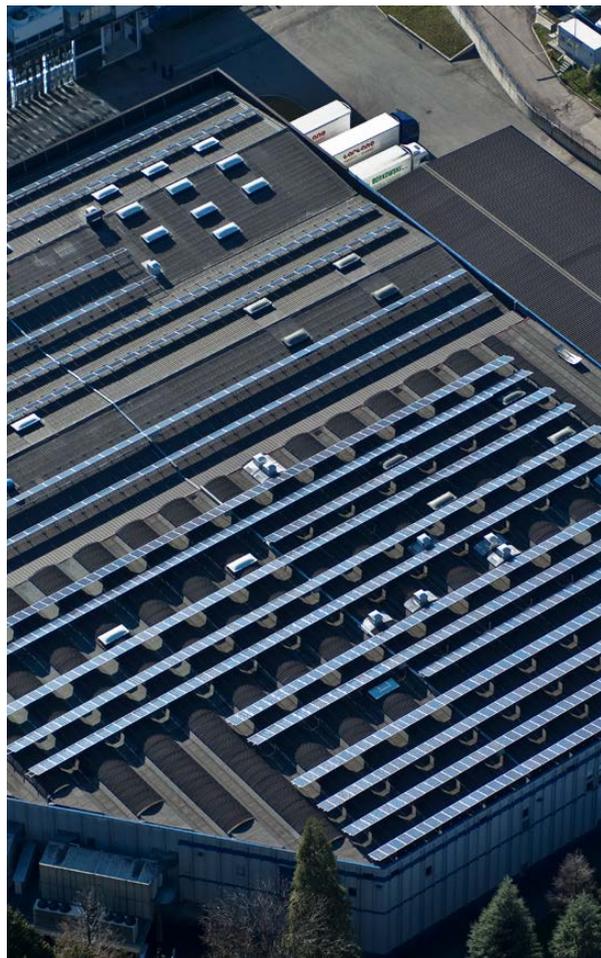
Lindt & Sprüngli Australia finished a solar panel installation which takes advantage of the Australian sun on the large warehouse and manufacturing roof. The installation has a capacity of 350 kW power with over 900 solar panels. As a registered power generating site, Lindt & Sprüngli Australia has the ability to sell large-scale generation certificates (LGC) to generate further returns.

## Evaluation and outlook

We have been able to reduce greenhouse gas emissions per ton of chocolate produced by 14% since 2015, meaning that we have already achieved our overarching commitment in this focus area. We anticipate further reductions in 2020 due to our energy saving projects under development. One significant contributor to this result is the increased share of renewable electricity now used, up from 36% to 39%. The majority of the electricity bought by Lindt & Sprüngli Switzerland, Lindt & Sprüngli Germany as well as Caffarel is from renewable sources.

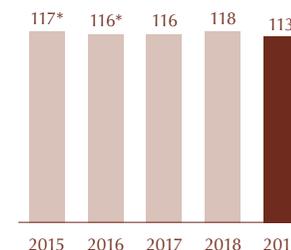
Regarding energy, we were able to reduce our consumption by 8% per metric ton produced compared to 2015. As a result, we remain confident about reaching our 2020 sub-target of 10% reduction of energy use in the production process per ton of chocolate produced (base year 2015 = 100%) with our current measures.

Going forward, our aspiration is to set new targets beyond 2020 to further reduce energy consumption and greenhouse gas emissions in our own operations and include emissions beyond scope 1 and 2 in our assessment in order to take into account the indirect emissions that occur in our upstream and downstream value chain.

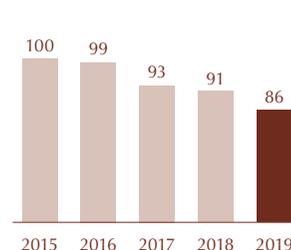


### CO<sub>2</sub> emissions

Absolute CO<sub>2</sub> emissions in 1,000 metric tons



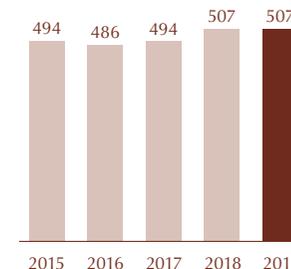
CO<sub>2</sub> emissions per metric ton of chocolate produced (2015 = 100%)



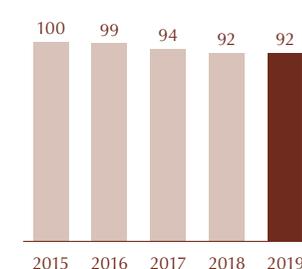
Note: figures are for Lindt & Sprüngli production companies only.  
\* Recalculated values due to the use of more precise conversion factors (emission values in the years 2015/2016 were lower than stated in the 2016-2018 Sustainability Reports)

### Energy consumption

Absolute energy consumption in 1,000 MWh



Energy consumption per metric ton of chocolate produced (2015 = 100%)



Note: figures are for Lindt & Sprüngli production companies only



## Water

**10% reduction of municipal water used in our production process by 2020 per ton produced (base year 2015 = 100%)**

Water is a valuable natural resource that is heavily used in the production of food products such as chocolate. Within production processes, the efficient use of water and adequate handling of wastewater are both crucial to avoid or reduce environmental impacts at a local level. Furthermore, we have water-related risks in our supply chains such as water-intensive agricultural commodities from water stressed regions.

Therefore, water is becoming an increasingly important issue for Lindt & Sprüngli’s stakeholders, including local communities. We recognize the need to address our stakeholders’ interests and our responsibility for adequately managing water consumption and wastewater treatment.

Lindt & Sprüngli is constantly focused on improving water efficiency and reducing the water footprint of its chocolate. Our ► *Lindt & Sprüngli Environmental Policy* is our shared basis for environmental protection, including our contribution to the responsible management of water resources. Impacts in our value chains are addressed in the focus areas “Rural development” and “Human rights in the supply chain”.

International Operations is responsible for defining our water management strategy for our production processes. The corresponding action plan is adapted and implemented at a subsidiary level. In our production facilities, a consistent amount of fresh, good-quality water is required for production processes and cleaning. With respect to water scarcity, our specific business operations do not have a material impact on water, as a very small part of our production takes place in water-stressed areas. Likewise, our impact from wastewater on water ecosystems is currently low.

We aim to further limit our impact on the environment and the water ecosystem. This includes our measures for the reduction of fresh-water consumption as well as wastewater generation. In order to reduce the water consumed in our manufacturing facilities, we are implementing solutions to recycle our water internally.

Alongside our operations, we strive to address water-related challenges in our global value chain. Furthermore, we expect our suppliers to adhere to our Code of Conduct, which outlines requirements for water stewardship through our onboarding and compliance process for suppliers. Adequate water infrastructure is built in cocoa countries through the Lindt & Sprüngli Farming Program and with financial support from the Lindt Cocoa Foundation as part of our engagement for “Rural development”.

### Improving local cocoa communities’ water infrastructure within the Lindt & Sprüngli Farming Program

As part of the Lindt & Sprüngli Farming Program we are taking initial steps to further extend our water commitment into our supply chain. Our activities are centered around sustainable water management and the protection of cocoa farms, but also focus on finding solutions for improving access to clean drinking water. Therefore, the Lindt & Sprüngli Farming Program supports gray-water filters in Ecuador and constructs sustainable **water systems and boreholes**, which have reached approximately 130,000 people in cocoa-growing communities in Ghana, Madagascar and Papua New Guinea. In this effort, our intention is to help both cocoa farmers and local communities in our sourcing countries.

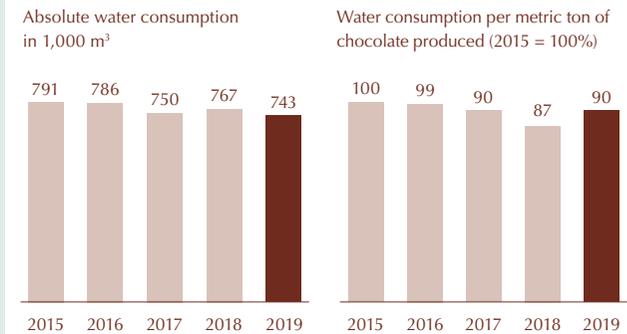
## Evaluation and outlook

In our operations, we are continuously reducing our consumption of water from municipal water supplies. We mainly use municipal water for cleaning operations (for example to clean molds, wash hands and sanitary facilities) but also in some water-based filling products. We assess our water consumption rates twice a year and continuously optimize our processes and systems.

Since 2015, municipal water consumption per metric ton produced has declined by 10% in the Lindt & Sprüngli production companies. We have already reached our 2020 commitment of a 10% reduction of the municipal water used in our production process per ton produced (base year 2015 = 100%) thanks to our current measures.

In the coming year, we aim to set new targets to further reduce our municipal water consumption and report on further indicators that underline our engagement to sustainable water management.

### Municipal water consumption



Note: figures are for production companies of Lindt & Sprüngli only



## Waste and recycling

**50% reduction of chocolate waste in our production process by 2025 per ton produced; (base year 2015 = 100%)**

Material waste is a significant factor for any impacts on the environment, regardless of whether it is raw material, food or packaging material waste. This applies in particular to wasted material in the later stage of the value chain, as this material has accumulated impacts from the previous processing steps. Reducing the loss of chocolate is therefore key to minimizing a product’s environmental impact. Our packaging material also plays a decisive role. It protects our valuable chocolate and reduces environmental impacts linked to chocolate production. However, packaging consumes resources itself and leads to environmental impacts such as ecosystem degradation if not properly disposed of.

Consumer and customer awareness of material waste, especially regarding plastic and food waste, has increased exponentially over the past years, followed by high NGO and media attention. Relevance is also given through governmental activities resulting in legislation. In addition, resource efficiency also has beneficial impacts on our long-term cost structure.

We are constantly striving to reduce the amount of wasted materials in our production processes and have set up a cohesive approach to sustainability in packaging. Our approach for our own operations is summarized in our Lindt & Sprüngli Production Way (LPW) Program. It is coordinated by International Operations with the implementation responsibility placed on the local operations team. Our Sustainability in Packaging Initiative is facilitated by the newly formed cross-functional Global Packaging Council, chaired by International Procurement. International Marketing is accountable for the initiative, which is rolled out to and implemented by all our local subsidiaries.

### Lindt & Sprüngli Production Way (LPW)

Material waste and post-processing in our operations have significant impacts on the environment and our cost structure. We are constantly striving to optimize our processes while reducing non-value-added activities and any kind of losses.

We created the LPW to structure our approach. It follows the principle of analyzing, eliminating, and avoiding losses. It is implemented in each production facility and strengthens our culture of operational excellence while making a positive impact on business results and sustainability.

The improvements we have made to our processes are reflected in the increased efficiency of equipment and personnel, as well as ultimately in the reduction of material waste. Our know-how in chocolate manufacturing, the expertise of our employees and state-of-the-art technology enable us to set and monitor optimum process conditions and parameters to ensure the best quality while minimizing waste.

During 2019, we kept the amount of chocolate waste to the same level as the previous year. We are on track with our ambitious target of 50% waste reduction compared to our 2015 baseline. Moving forward, we will keep progressing by investing further in digitalization.

### Chocolate waste in the production process

per ton produced (excluding destructions of finished goods)



### Packaging Sustainability Initiative

We have adopted a cohesive Sustainable Packaging Initiative with a clear ambition to reduce the environmental footprint and contribute towards the recyclability of materials. The Sustainable Packaging Initiative integrates environmental criteria in the design process of a product-packaging combination while maintaining other aspects such as food safety, quality and cost-effectiveness. Here is an overview of our current vision:

- We work towards 100% recyclable packaging
- We are committed to reduce our packaging waste in production as well as packaging destruction every year
- We are committed to constantly increase the % of plastic free packaging we use on a global scale

The main instrument to implement our vision is our Packaging Sustainability Handbook, an implementation guide for all of our subsidiaries. The handbook provides a consistent understanding of our vision to develop local action plans with Group-wide tracking of KPIs.

In 2019, we aligned our vision and initiated a global baseline assessment for all KPIs to understand and catalog our packaging materials. We have a broad range of initiatives across our Group to reduce packaging waste and further increase our use of recyclable materials, but we are determined to accelerate our progress in this area. Therefore, we are currently completing the comprehensive gap analysis and the construction of an accelerated global action plan.

Our annual performance evaluation by the Global Packaging Council will start in 2020. We will be able to publish our new and ambitious KPIs in the 2020 Report.



Performing together

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## Business integrity

**We do not participate in any corrupt or anti-competitive behavior**

Corruption and anti-competitive behavior result in economic damage by causing commercial losses, promoting social inequality and undermining democratic processes. In order to avoid adverse effects on societies, foster political stability and support economic prosperity, companies need to ensure legal compliance and, above all, strive to act according to ethical and moral standards. Business integrity is therefore essential for any company whose aim is to be acknowledged as a responsible employer and business partner.

Consequently, Lindt & Sprüngli views business integrity as the cornerstone of its business strategies and practices. The significance that Lindt & Sprüngli attaches to responsible behavior is reflected in our corporate policies. Our ► *Credo* and our ► *Business Code of Conduct* clearly set out our core values and expectations for our employees across all business units and call for compliance. The Business Code of Conduct is communicated to all employees by the Group Management and is monitored through our internal control system.

We are committed to the principle of free competition and comply with all applicable domestic and international legal requirements. The Lindt & Sprüngli Competition Law Policy outlines the generally applicable competition provisions that Lindt & Sprüngli employees are expected to adhere to. Additional policies and mechanisms can also exist at a local subsidiary level.

Group Human Resources (HR) is responsible for managing business integrity in our operations with support from our local subsidiaries. We use awareness-raising and training courses to support the implementation of our codes and ensure that everyone at Lindt & Sprüngli, including all members of management, supervisors and employees, follows our core values and complies with our business integrity policies. We encourage our employees to report any instances of illegal, fraudulent, unethical or undesirable conduct observed in Lindt & Sprüngli business activities. Local HR and, if needed, Group HR act as an additional contact point outside the reporting line that is accessible to all employees to express any suggestions or concerns.

We are working with our suppliers on these issues to assume our responsibility within our supply chain. Each supplier is provided with the ► *Supplier Code of Conduct*, which they are asked to sign. We expect our suppliers to take responsibility and implement the requirements of the Code and the necessary due diligence processes with their own employees, agents, temporary workers, subcontractors, homeworkers, suppliers and sub-suppliers with whom they work to deliver goods and services to Lindt & Sprüngli. Supplier requirements relating to business integrity are further addressed in the section “Human rights in the supply chain”.

### Evaluation and outlook

In 2019, our subsidiaries implemented various projects aimed at ensuring compliance and strengthening business integrity.

Lindt & Sprüngli North America facilitated in-person and online training sessions on antitrust/competition law for all U.S. entities. To address sexual harassment, Lindt & Sprüngli North America conducted a comprehensive training program for all U.S. entities through their Learning Management system.

In other Lindt & Sprüngli subsidiaries, local whistleblowing mechanisms have been put into place for employees to issue their concerns and report non-compliance. For example, a whistleblowing hotline has been established at Lindt & Sprüngli South Africa, and Lindt & Sprüngli Australia, Lindt & Sprüngli Italy and Lindt & Sprüngli Canada have also developed a whistleblowing policy/speak up program.

Our commitment, approach and activities relating to business integrity directly support the prevention of corruption and anti-competitive behavior. We had no confirmed incidents of corruption or anti-competitive behavior in the last year. In order to verify whether our business integrity values are lived out within the Lindt & Sprüngli Group, we incorporate questions on these issues in our annual Employee Engagement Survey.

Going forward, Lindt & Sprüngli will continue to ensure rigorous compliance with legal requirements. Being a responsible employer, we will strive to continuously improve our business activities to meet the highest ethical standards of conduct, with the aim of surpassing the required compliance with our standards.



## Occupational health and safety

**We continuously reduce our safety risks to achieve our long-term vision of zero lost-time accidents**

Healthy and productive employees are the foundation of any successful business. Failing to provide health and safety protection in the workplace leads to far-reaching impacts and costs for employees, businesses, society and the economy. Physical and psychological integrity is an unequivocal right of our employees and the main stakeholder interest to be considered in this focus area.

Lindt & Sprüngli manufactures its products in a responsible manner, and ensuring healthy and safe workplaces is a top priority for us. We follow our vision to achieve the status of zero lost-time accidents and zero occupational illnesses. Our ► *Health and Safety Policy* defines our common principles that are to be adhered to by all manufacturing and distribution subsidiaries. International Operations is responsible for defining and rolling out our proactive approach, which is implemented by all production companies, including Lindt & Sprüngli Australia. The approach is divided into two workstreams: activity-based risk assessment and a safe behavior system.

We strongly believe in adopting a proactive approach towards safety, which is why we are moving forward in the implementation of our activity-based risk assessment. The Lindt & Sprüngli risk assessment protocol has been adopted at all production facilities. We have set the quality standards for risk assessment higher than required by local laws and regulations.

In addition, we have started to introduce our safe behavior system “One Minute To Think” as a second workstream and piloted by Ghirardelli. The aim is to increase awareness of the risks involved in a job and take precautions accordingly. These two workstreams complement our efforts to make equipment, workplaces and processes safer.

We also expect our suppliers to provide their employees with a safe and healthy workplace as defined in our Supplier Code of Conduct. Beyond our approach to prevent accidents, we further promote the health and well-being of our employees in our “Enabling and motivating working environment” focus area.

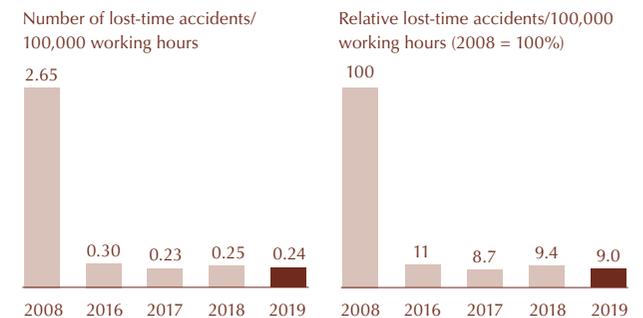
### Evaluation and outlook

In 2019, three production companies set new records for days in a row without lost-time accidents: Lindt & Sprüngli France with 272 days, Lindt & Sprüngli USA with 460 days and Lindt & Sprüngli Australia with 888 days.

The total number of lost-time accidents was lowered to 34 in 2019 (36 in 2018). The number of lost-time days per 100,000 hours worked decreased from 7.51 in 2017 to 6.11 in 2018 and to 5.05 in 2019 – a 33% reduction in two years. The number of lost-time accidents per 100,000 hours worked remained stable at 0.24 over the last two years. We had no accidents with fatalities in 2019.

In 2020, we will continue working on reducing risks and improving behaviors, as these are the main proactive drivers for preventing accidents.

### Occupational accidents with lost time per 100,000 working hours



Note: figures are for production companies of Lindt & Sprüngli only, including Lindt & Sprüngli Australia



## Enabling and motivating working environment

**We employ 40% women on senior leadership level by 2025<sup>6</sup>**

Passionate, diverse and productive employees are a key success factor for Lindt & Sprüngli. We have 14,621 highly motivated and engaged employees working around the world to improve our premium chocolate products. Along with the valuable work they do every day to secure our operations, our employees and their commitment to our company are the best testimony for promoting Lindt & Sprüngli as an attractive employer. In this role, we are responsible for our employees and can actively shape their working environment. Our aspiration is to continuously improve as an employer, thereby addressing the increasing workplace expectations held by current and future employees as they strive to have an impact through the work they do.

It is of central importance for Lindt & Sprüngli to offer an inspiring, innovative and inclusive working environment. Our ► *Credo* and ► *Business Code of Conduct* provide the basis for our work culture of respect, trust and fairness. Within this focus area, we address the material topics “Employee satisfaction and retention”, “Employee development and training” and “Diversity and equal opportunity”.

The “Occupational health and safety” focus area addresses our measures for providing a safe and healthy working environment for our employees. Impacts related to business ethics and specifically corruption and anti-competitive behavior are addressed through “Business integrity”. Our commitment to providing an attractive working environment applies equally to all employees in all of our

subsidiaries. Requirements for an enabling and motivating working environment in our supply chain are further addressed in the sections “Human rights in the supply chain” and “Rural development”.

Responsibility for managing the “Enabling and motivating working environment” focus area is split between Group Human Resources (HR) and Local HR. The corresponding action plan, including our HR roadmap and targets, is defined on a global level and adapted as well as implemented at a subsidiary level, according to the specific local contexts and employee needs. Our international HR conference serves as a platform for sharing knowledge and making decisions.

We want to ensure that all members of the Board of Directors and Group Management, as well as all line managers and employees, demonstrate an appropriate level of professionalism that reflects the company’s commitment to our core values as set out in the company’s Credo and Business Code of Conduct. To ensure coherent application, the Credo and the Business Code of Conduct are explained to new employees during their onboarding period. Additionally, our Global Talent Management Workbook describes the values, competencies and behaviors expected from all our employees.

In addition to the two Group-wide policies in the form of the Credo and the Business Code of Conduct, as well as our Global Talent Management Workbook, our subsidiaries have additional local policies promoting equal opportunity and measures against sexual harassment, to name just a few. Moreover, online and in-house training courses are offered on a regular basis.

Local HR and, if needed, Group HR act as an additional contact point outside of the reporting line, accessible to all employees to express any suggestions or concerns. Some subsidiaries have also put in place formalized whistleblowing systems and policies. Regular consultation and engagement with our employees and their representatives ensure that due account is taken of both staff and Group Management expectations.

We monitor our performance in the “Enabling and motivating working environment” focus area on an annual basis and using our global KPIs. Our progress is evaluated at our yearly international HR conference, where adaptations and measures are defined based on the outcomes.

### **Freedom of association and collective bargaining at Lindt & Sprüngli**

Regular consultation and engagement with our employees and their representatives ensure that due account is taken of both staff and Group Management expectations. This facilitates negotiations and the implementation of operational changes. It goes without saying that Lindt & Sprüngli respects employees’ rights and the freedom to form and join trade unions and bargain collectively. A total of 40% of our Lindt & Sprüngli workforce is under a collective agreement. Currently, Lindt & Sprüngli employees are collectively organized in Austria, France, Germany, Italy, Switzerland and the US (Ghirardelli), as well as at the Montrose factory of Russell Stover Chocolates.

<sup>6</sup> Senior leadership level is defined as: Group Management, CEOs/Country Managers, CFOs, VPs, positions reporting directly to Group Management (excl. assistants).

## Employee satisfaction and retention

By 2022: An average of 70 out of 100 points in the global employee survey, which is conducted every three years.

This score is the average of: overall employee satisfaction score, overall work engagement score, overall score of the question “My work situation enables me to achieve a good work-life balance”, overall salary score

Satisfied and motivated employees are the key to our success. We want to offer an attractive working environment and continue to strengthen our already high levels of employee commitment, satisfaction, and retention. Satisfaction, however, is subjective and depends on how an employee is feeling about their current work relationship. The requirements and legal environment differ from country to country, which is why the majority of initiatives take place primarily at the level of the individual subsidiaries based on the ongoing input from and communication with their employees.

Group HR creates a space for sharing experiences across subsidiaries and streamlines common initiatives. Various subsidiaries, for example in Germany, the US, Italy, and at Ghirardelli, have started working on their employer value proposition to demonstrate to our employees and potential candidates the advantages of working at Lindt & Sprüngli. These initiatives are now being strengthened through the “Global Employer Value Proposition” project, which outlines the values and benefits of working at Lindt & Sprüngli.

The boundary between work and leisure time is becoming increasingly blurred, and finding the right work-life balance is becoming ever more relevant for many employees across our subsidiaries. We are committed to ensuring a healthy work-life balance and offer employees support to cope with increasing work-related demands. Our local subsidiaries organize various context-specific initiatives and activities throughout the year to contribute to fulfilling our commitment. The following are some examples:

- Lindt & Sprüngli Australia and Lindt & Sprüngli UK offer options for employees to spend more time with their families during the summer holidays. At Lindt & Sprüngli Australia, office employees are able to extend their weekends by working a condensed week so they can then leave work on Fridays at noon during the summer months. Similarly, Lindt & Sprüngli UK offers summer working hours to encourage people to spend more time with their families during the summer.
- To better address employee needs for flexible working times, Lindt & Sprüngli USA initiated measures to organize parental leave and volunteer time off (VTO). They introduced a new benefit to support new fathers so that they can stay home for two weeks (consecutively or spaced out) with their newborn child. For volunteers, a new VTO program (“Giving back to the communities in which we live and work”) has been rolled out, giving every full-time employee one paid day per year to give back to the community by donating their time to the charity of their choice.
- Lindt & Sprüngli Australia offered a lunchtime learning workshop on stress management in 2019. The objective of this workshop was to better understand stress, share tips and techniques on how to manage stress, introduce wellness practices in order to control stress in the long term, and develop a personal action plan for stress management. The workshops were run by the Better@Being Committee, which is composed of employees from the Lindt & Sprüngli Australia subsidiary.
- Additionally, several subsidiaries provided measures for awareness-raising activities, information and training on health and work-life balance. Lindt & Sprüngli UK launched an updated mental health portal with content to support the initiatives and organized a “Mental Health

Week”, aimed at promoting awareness and tips to manage work and personal challenges. Lindt & Sprüngli USA held a Health and Wellness Fair for employees that included vendors and well-being service providers to educate its employees in Stratham about the importance of physical, mental and spiritual well-being.

Our main tool for measuring employee satisfaction is our Group-wide employee survey conducted every three years. Through the survey, we gain insights into our employees’ satisfaction levels and then develop measures for optimization. Our last employee survey was conducted in 2019 and showed the following results for our main KPIs:

### Employee satisfaction KPIs 2019



Going forward, we are striving to better address the increasing expectations of current and future employees and thereby reach our target of an average score of 70 for all four KPIs.

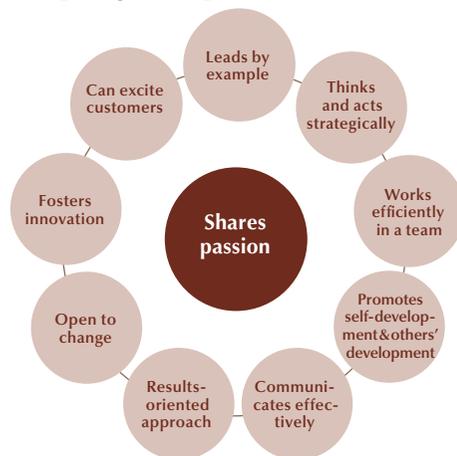
## Employee development and training

By 2022: 70 out of 100 points for the overall score for training and personal development opportunities in the global employee survey, which is conducted every three years. By 2022: 100% of white-collar employees and 80% of blue-collar employees receive a regular assessment of their performance and professional development

Passionate, diverse and productive employees are a key success factor for Lindt & Sprüngli. Therefore, we ensure that all key positions are staffed with qualified and motivated employees and that talented candidates are developed internally to fill these positions.

Our Talent Management Workbook reemphasizes this and is our central tool for managing employee development. Our global Lindt & Sprüngli Competence Model is our guide to measuring the skills and abilities of candidates and employees as they advance along their development path. We attach great importance to training and further development in order to acquire and retain high-performing employees.

### Lindt & Sprüngli Competence Model



Within our global Talent Management process, we conduct annual Talent Management dialogues with performance appraisals, and we have established a structured succession planning process. This is our way of enabling managers to coordinate a pool of talent and build appropriate development plans that match employees' needs with the demands of our business.

We continue to focus on individual development plans and apply our 70-20-10 model: 70% practical experience, 20% coaching/mentoring and team building, 10% formal individualized training programs. We have also implemented the following local measures:

- Lindt & Sprüngli Germany offers various development opportunities to both train and develop current and prospective managers and high-potential employees. This includes, for example, monthly training sessions for supervisors and the “New Leadership” series. For up-and-coming talents, Lindt & Sprüngli Germany offers traineeships and apprenticeships. In 2019, 80 apprentices were welcomed in various departments in accordance with the country's dual-education system.
- In the USA, apprenticeships also play a key role in developing future leadership talent. In the Manufacturing Apprenticeship Program at Lindt & Sprüngli USA, employees engage in a formal program led by HR and the Director of Production that involves a combination of hands-on and classroom training. Currently there are 6–8 employees in the program who are considered “top talent.”
- Lindt & Sprüngli Australia completed the rollout of its “Learning Management System” in 2019 and included short motivational learning videos in the package.

The integration of newly hired employees is very important to us. A good experience on the first day of work makes all the difference. As early as during the recruitment process,

the core values of the Credo and Business Code of Conduct feed into candidate assessment. HR managers at all of our subsidiaries use the Lindt & Sprüngli Competence Model during the process and apply its ten criteria when assessing candidates. A standardized questionnaire is used to implement the criteria during interviews. Our subsidiaries have also developed progressive onboarding programs, as the following examples demonstrate:

- Thanks to the new e-learning platform in Australia, employees have an improved experience when joining the world of Lindt & Sprüngli, with standardized modules for all positions.
- As part of the cultural integration segment, all new employees at Lindt & Sprüngli USA are invited to participate in the full-day “Life of a Truffle” experience. They view transactions with Sales and Marketing, visit the Quality and R&D departments, and enjoy a full production tour.
- Lindt & Sprüngli Germany also offers an exciting welcome to all its new employees with a tailored two-day workshop.

### Ongoing and individual learning opportunities in the UK

Lindt & Sprüngli UK offers a variety of training and development programs that specifically address the different needs of its employees. The initiative “Own Your Development” ensures that all employees receive an individualized development plan. Additional trainings are offered, for example one specifically for line managers and one focused on external sales. A special learning opportunity in 2019 for Lindt & Sprüngli UK employees was the “Learning Fest”, an eight-week program that provided recommendations on self-directed learning as well as workshops on different topics such as resilience, time management, leadership, and talks on career journeys.

As part of our training and development measures, 85% of our employees received performance and career development reviews in 2019. We want to increase the percentage of employees who receive regular performance and career development reviews to 100% for white-collar and 80% for blue-collar employees by 2022. Additionally, we want to improve our employee development and training approach by 2022 on all levels to reach 70 out of 100 points for the overall personal development score in the global employee survey.

### Training and Development 2019



## Diversity and equal opportunity

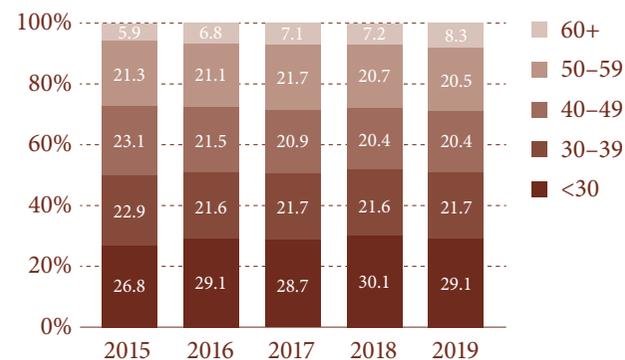
**We employ 40% women on senior leadership<sup>6</sup> level by 2025**

We are committed to offering equal opportunity, promoting diversity in terms of employment, and supporting the development and promotion of all those who meet the relevant requirements. We do not tolerate any discrimination against employees or candidates on the grounds of gender, age, religion, political opinion, union affiliation, disability, national or social origin, sexual orientation, ethnicity, or color, or any other relevant characteristic.

We believe that all people should be treated fairly. It is our policy and practice, therefore, to ensure people enjoy equal employment opportunities (both employees and candidates). We also support and promote gender diversity and strive for age diversity in which younger and older generations actively collaborate. The distribution of employees in our different age groups has remained balanced and stable over the past four years. The higher percentage of

our younger workforce under the age of 30 is due in part to the group of apprentices and trainees that we enable to join our organization.

### Age split

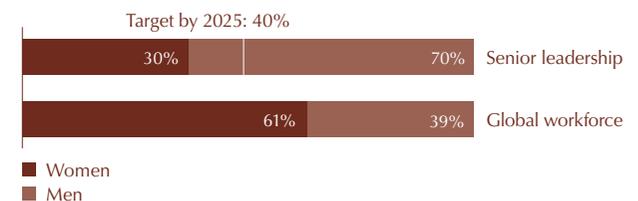


Women are one of the central target groups we strive to promote through our measures for diversity. As of today, around 61% of all employees at Lindt & Sprüngli are women. To promote gender diversity at management level as well, our goal is to increase the percentage of women on senior leadership level to 40% by 2025. By last year, we were already able to achieve a percentage of 30%. This target is now included in our global recruitment processes, where we require headhunters to balance the number of applicants recommended to us based on gender. In 2019, we started to systematically examine our workforce structure and processes based on gender criteria to identify hidden barriers and development potentials for women's career paths. Subsequent targeted action plans on a Group and subsidiary level will allow us to unlock our internal potential to achieve our goal. Our approach towards diversity and equal opportunity has

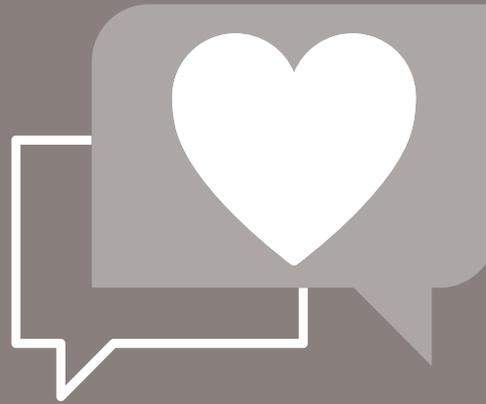
been supported by the measures implemented at our subsidiaries in the last year. In line with our gender diversity target, Lindt & Sprüngli South Africa initiated two courses focused on "Women in leadership" for their female management. To address cultural diversity, Lindt & Sprüngli UK is providing awareness training for its employees. In total, employees of Lindt & Sprüngli UK received 28.5 hours of cultural diversity awareness training in 2019.

We are planning to introduce further measures at a subsidiary level that will help us achieve this goal. These will include, for example, mentoring programs to support young talents in their career paths. In the coming year, we aim to set new targets to further expand the training opportunities for our employees, for example education about cultural awareness, diversity and fostering gender diversity.

### Women in senior leadership<sup>6</sup> 2019



<sup>6</sup> Senior leadership level is defined as: Group Management, CEOs/Country Managers, CFOs, VPs, positions reporting directly to Group Management (excl. assistants).



Delighting consumers

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## Transparent and responsible communication

### We market and advertise our products according to national/international laws

Consumers purchase chocolate according to their individual desires and needs. Their choice of product depends on a number of things, including the list of ingredients, nutritional values or allergens. Increasingly, consumers are also taking into account issues such as the sustainability of products, production and cultivation conditions.

Transparent and responsible communication as well as product labeling are therefore very important to Lindt & Sprüngli. Our global requirements are defined in our Lindt & Sprüngli Quality Guidelines and our policy on [▶ Responsible Marketing](#). International Marketing manages our approach on a global level, while our local marketing and local quality assurance are responsible for implementation and ensuring compliance with local legal requirements. Employees involved in external communication and product labelling receive specific training relating to our Quality Guidelines and Responsible Marketing Policy.

While we always adhere to national and international legislation, our declaration guidelines often extend beyond what is legally required. Lindt & Sprüngli includes labels that emphasize all major allergens in the ingredient list in bold on all products and provides a clear warning about any traces of specific allergens they may contain. We also follow strict process requirements in order to avoid the inadvertent contamination of our products (> see Product quality/Product safety pp. 52–53).

We display clear and easily understandable nutritional information and calorie guidelines on the packaging of all Lindt & Sprüngli products. Furthermore, we continuously seek to simplify the ingredient lists and work towards removing artificial ingredients across our portfolio. To encourage responsible consumption, we recommend eating small, appropriate portions of chocolate as a treat.

Our [▶ Responsible Marketing Policy](#) also defines clear rules on marketing to children by committing to not launch any advertisements with children as the primary media target. In general, all TV advertising needs to be approved by International Marketing. All messaging in advertising, on packaging and on in-store materials is directed to gatekeepers.

To inform consumers of our sustainability initiatives and highlight the importance of sustainably sourcing high-quality beans, Lindt & Sprüngli products display the logo of the [▶ Lindt & Sprüngli Farming Program](#) on the back of their packaging, and consumers are directed to seek additional information about the Program on our website. Our Farming Program is addressed further in our “Rural development” focus area.

We maintain extensive interaction with our consumers. In case of questions or concerns, consumers can reach us via our Consumer Service, which is available in all 28 subsidiaries and two regional offices in the respective local language(s). The most common questions are answered publicly on our website in the [▶ Ask Lindt & Sprüngli](#) section. Specific issues relating to sustainability, such as farming conditions for cocoa or health-related questions, are recorded separately and taken into account during internal meetings for evaluation.

Consumers can also get in touch with us using the feedback form included in our packaging. Additionally, we are in direct contact with our consumers on a daily basis via more than 100 social media channels, providing individual answers to the inquiries and feedback we receive. In order to ensure professional and efficient consumer and customer service, we have introduced a management process designed to further optimize average processing and response times.



## Evaluation and outlook

Last year, we defined our [► Responsible Marketing Policy](#), with the goal of further enhancing our commitment to transparent and responsible communication. The policy will be integrated into our business activities and rolled out to our subsidiaries. At the local level, marketing plans will be reviewed on an annual basis.

In 2020, Lindt & Sprüngli is planning to become a signatory to the [► EU Pledge](#), a voluntary initiative in the food sector aimed at changing the way companies advertise to children. As part of this initiative, we commit to not advertise to children under the age of 12 or in any primary and secondary schools. Through the EU Pledge, our commitment on advertising to children will be third-party audited in the European market. As the EU Pledge is in line with our global Group advertising commitments, we are looking to make similar pledges in all countries where a comparable local initiative exists. In this regard, we have been in line with our own goal of zero cases of advertising to children as the primary media target in 2019.

During 2019, 113,391 consumer contacts<sup>7</sup> were recorded in our system across the Group (excluding social media) and were processed or answered by our Consumer Service specialists. The number of inquiries increased by around 6% since 2018. In 2019, around 1,300 critical customer inquiries were about sustainability issues, which showed a slight increase in interest in this area compared to 2018 (1,100 inquiries). These inquiries represent approximately 1% of all consumer inquiries<sup>7</sup> worldwide. All other inquiries concerned general topics, specific products, ingredients, or the quality of raw materials. We assess our performance through the regular and formal collection of data and by annually reviewing relevant

KPIs and their development. This is supported by our International Marketing Meetings, which take place three times a year.

Going forward, we will continue to ensure that our products are marketed according to national and/or international standards. We will strive to make information better accessible and more easily understandable to further help our consumers make responsible food and lifestyle choices. We are also planning to have our Ghirardelli division sign a similar pledge to the EU Pledge to extend our commitment of changing the way we advertise to children in the US market.



<sup>7</sup> excluding social media post inquiries



## Product quality/Product safety

**We comply with Lindt & Sprüngli quality and food safety standards on an ongoing basis**

As a producer of premium chocolates, we are uncompromising when it comes to ensuring product quality and product safety. Our understanding of product quality, however, extends beyond the quality of raw materials to the services we deliver to our customers and consumers. In this context, we recognize that quality and safety standards are issues that our consumers, customers and other relevant stakeholders pay attention to. While compliance with quality and safety standards for products is required by law, it is also a key consumer expectation.

For Lindt & Sprüngli, high quality standards and a commitment to food safety are part of our brand identity and, consequently, one of the core components of our business model. Through our approach, we strive to manage potential negative impacts that we view as posing the highest risk within production processes at our own facilities or at supplier factories. We have developed a comprehensive quality management system, which is based on our own strict requirements and defined in our Lindt & Sprüngli Quality Guidelines. These requirements include raw materials, processing, storage and distribution. Compliance with legal food regulations and food safety standards is furthermore required throughout all of our processes.

International Operations is responsible for managing product quality and product safety at Group level. Coordination and operational responsibilities are cascaded to our local quality assurance in subsidiaries where required.

To maintain high product quality and product safety standards, our requirements for key raw and packaging materials are stipulated in our product specifications and subsequently inspected. All of our factories undergo comprehensive (unannounced) inspections conducted either internally by Lindt & Sprüngli or externally by qualified independent partners. Furthermore, regular supplier audits are performed. This approach ensures that Lindt & Sprüngli's chocolate meets uniformly high quality standards all around the world. In addition, management systems for food safety (FSSC22000) and quality assurance are in place at all our production facilities, except Russell Stover and Lindt & Sprüngli Australia. Russell Stover and Lindt & Sprüngli Australia are currently working on the launch of a standardized management system for food safety with the aim of also receiving FSSC22000 certification.

Ensuring that our chocolate maintains its high quality after production and until it is delivered to our customers is of particular importance to us. Therefore, we pay special attention to transportation and storage processes, focusing on controlling humidity and temperature. The guidelines for this apply to all of our own or rented warehouses for finished and semi-finished products.

Lindt & Sprüngli also monitors its chocolate constantly to detect the possible presence of more than 570 different types of pesticides. With the farmer training carried out by the Lindt & Sprüngli Farming Program, we promote improved agricultural practices that reduce the need for pesticides in cocoa production and fight pests using natural methods.

In addition to our raw materials, we also set requirements for our packaging material, since it plays a major role in protecting our delicate chocolate. However, we are also working on the reduction and recyclability of our packaging whenever possible to conserve more natural resources (> see Waste and recycling p. 41). Apart from product quality, we strive to offer high-quality service to our consumers by continuously analyzing their needs and expectations as well as any preferences they have. Moreover, we engage with consumers directly through channels such as our Consumer Service, which is part of our approach in the "Transparent and responsible communication" focus area.

## Evaluation and outlook

During the factory audits we conducted in 2019, there were zero non-compliances detected with regulations concerning the health and safety impacts of products and services resulting in a fine, penalty or warning.

Furthermore, we revamped our product crisis management and trained the management of two major subsidiaries in product quality and product safety.

We constantly evaluate our activities to assess measures for improvement. We will continue to ensure compliance with food regulations and food safety standards required by law and set out in our guidelines. Moreover, we will strive to further increase the level of transparency in our processes in the future in order to improve our ability to detect potential non-compliances at all our locations. Additionally, we will aspire to respond better and more quickly to our consumers and thereby further enhance the quality of service we deliver to them.



### **Lindt & Sprüngli position on GMO**

Lindt & Sprüngli is not involved in any research or development associated with genetically modified foods. None of the Lindt, Caffarel, Küfferle, or Hofbauer brand products source genetically modified organisms (GMO) ingredients. We will continue this practice as long as non-GMO raw materials are available. Regular tests are performed to monitor these products and ensure compliance with relevant EU and Swiss regulations. Ghirardelli has also introduced measures to guarantee that all its products are free from genetically modified ingredients in the future. Since the end of 2019, practically all Ghirardelli chocolate products do not contain GMO ingredients, with only a very minor percentage of toppings excluded. Options for using non-GMO raw materials for all Ghirardelli products are currently under review. Russell Stover is currently not planning to switch to non-GMO products.



## Sustainability approach

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## Sustainability approach

With the Lindt & Sprüngli Promise, we ensure that all products leaving our factories will ultimately live up to our commitment to sustainability along the entire value chain. We are committed to managing the impact of our operations on sustainability throughout the entire value chain.

Sustainability is one of the main pillars of our business model and rooted in our values as defined in our [► Credo](#). Our vision goes beyond making fine premium chocolates, because our high production standards deserve to be matched by equally high standards of ethics and sustainability. The significance that Lindt & Sprüngli attaches to responsible behavior is reflected in various policies and in our Lindt & Sprüngli Sustainability Plan (> see Sustainability Plan pp. 6-9), which defines the way we manage our entire business.

We are implementing our approach from Lindt & Sprüngli International throughout the entire Group, all the way down to the subsidiary level, involving all relevant departments. On the one hand, this broad-based implementation fits in with our decentralized organizational structure, while on the other hand, it allows us to take into account the respective local contexts (> see Governance p. 56).

We recognize that most challenges can only be overcome by working together. Therefore, we engage and collaborate with various stakeholders and partners to achieve our common goals (> see Stakeholder approach p. 59). It is particularly important for us to have our direct business partners on board with us. When it comes to impacts that occur outside our organization, they most often provide the greatest leverage.

Our high standards also apply to the implementation of sustainability programs. In selected cases and where reasonable, we define our own path with our partners to achieve the greatest possible impact. This applies in particular to our Lindt & Sprüngli Farming Program.

We aspire to achieve steady progress and are constantly striving to improve our contribution to a sustainable future. To accomplish this, we concentrate on the most significant aspects along our value chain. We monitor our progress on an ongoing basis using a series of key performance indicators.

### The pillars of our business model



## Governance

At Lindt & Sprüngli, all issues relating to sustainability are dealt with by the highest level of management. Our Corporate Sustainability Committee of the Board consists of three members of the Board of Directors. It supports the Board of Directors in setting the strategic course for company activities, while promoting comprehensive sustainable management. The Committee is responsible for the development and adoption of all globally valid corporate policies in this area and monitors compliance. It meets as often as required, but at least once a year.

Group Management, represented by the CFO, is responsible for ensuring that the strategic decisions are implemented. The Corporate Sustainability Executive Team, which includes representatives from all relevant departments, is responsible for steering the implementation of the Lindt & Sprüngli Sustainability Plan. Sustainability Management coordinates the Sustainability Executive Team in implementing the Sustainability Plan.

The Sustainability Executive Team meets every two to three months and is also responsible for Lindt & Sprüngli subsidiaries. It ensures local implementation based on the policies and guidelines of Lindt & Sprüngli International. Each Lindt & Sprüngli subsidiary has one Sustainability Representative to ensure end-to-end communication between the Group and the respective subsidiary. In addition, each manufacturing subsidiary appoints a person responsible for health and safety management and for environmental management.

### Lindt & Sprüngli sustainability governance



## Materiality process and strategy development

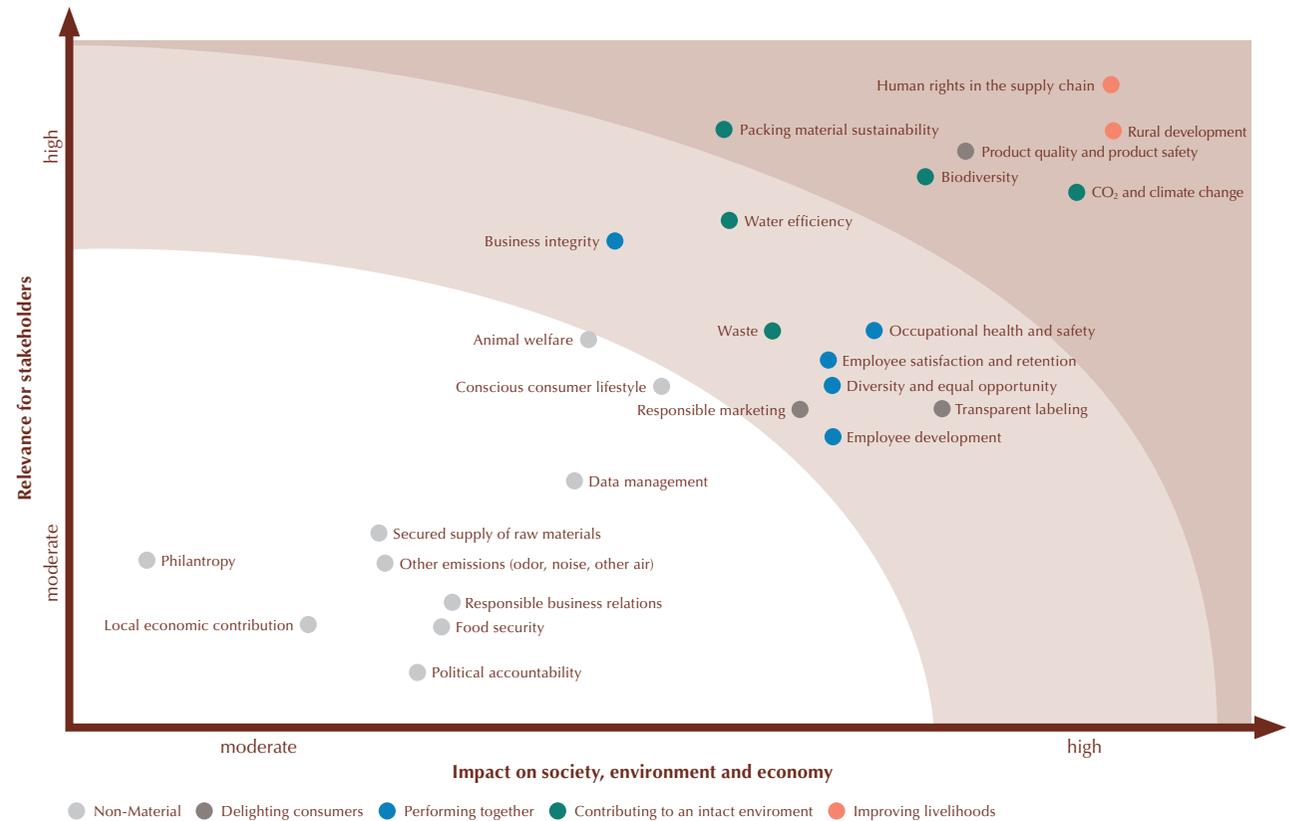
Our Lindt & Sprüngli Sustainability Plan is based on a materiality process that aims to identify and validate the issues which have the most relevance to our stakeholders and the highest impact on the environment, society and the economy. The resulting material topics are the building blocks for defining the focus areas of our Lindt & Sprüngli Sustainability Plan and at the same time constitute the content of our reporting.

We have comprehensively updated our existing materiality analysis as part of the development process of our Sustainability Plan. Industry benchmarks, literature reviews, consultations with sustainability experts as well as the analysis of our stakeholders' feedback resulted in an updated longlist of potentially material topics. We then assessed the importance of each issue for our stakeholders, while building on a broad range of internal and external inputs. These inputs were gathered from our various direct exchanges with our stakeholders, scientific papers, NGO reports, and investor, media and consumer inquiries. We further evaluated each issue in relation to the impacts of our operations on the environment, society and the economy. We considered scale, scope and remediability of potential impacts in order to estimate the effects of our business activities. The stakeholder view and the impact view together determined the definition of material topics as shown in the materiality matrix.

As a result, we identified 15 material topics, which we then grouped and merged into focus areas so we can address the issues more effectively. We allocated ownership of each focus area to the corresponding department. Therefore, our management approaches are defined on the level of focus areas, with some of them containing up to three material topics.

The strategy was then drafted in close collaboration with our departments, which were in contact with the relevant representatives of the subsidiaries in order to deliver a broadly supported strategy. All the inputs from the subsidiaries were gathered by the departments and included in the process. The

Corporate Sustainability Executive Team consolidated the various drafts into a single strategy and prepared it for approval. The strategy, including the material topics, was approved by Group Management, the CEO and the Board of Directors.



## Mapping of material topics to focus areas

| Material topic                             | Allocated focus area                        |   | Relevant impacts along the value chain |            |                   |
|--|---|---|--|------------|-------------------|
|  |   |   | Supply chain                           | Production | Customer/consumer |
| <b>Rural development</b>                   | Rural development                           |    |  |            |                   |
| <b>Human rights in the supply chain</b>    | Human rights in the supply chain            |    |  |            |                   |
| <b>Biodiversity</b>                        | Biodiversity and ecosystems                 |    |  |            |                   |
| <b>CO<sub>2</sub> and climate change</b>   | CO <sub>2</sub> and climate                 |    |  |            |                   |
| <b>Water efficiency</b>                    | Water                                       |    |  |            |                   |
| <b>Waste</b>                               | Waste and recycling                         |    |  |            |                   |
| <b>Packaging material sustainability</b>   | Waste and recycling                         |    |  |            |                   |
| <b>Business integrity</b>                  | Business integrity                          |    |  |            |                   |
| <b>Occupational health and safety</b>      | Occupational health and safety              |    |  |            |                   |
| <b>Employee satisfaction and retention</b> | Enabling and motivating working environment |  |  |            |                   |
| <b>Diversity and equal opportunity</b>     | Enabling and motivating working environment |  |  |            |                   |
| <b>Employee development</b>                | Enabling and motivating working environment |  |  |            |                   |
| <b>Transparent labeling</b>                | Transparent and responsible communication   |  |  |            |                   |
| <b>Responsible marketing</b>               | Transparent and responsible communication   |  |  |            |                   |
| <b>Product quality and product safety</b>  | Product quality / Product safety            |  |  |            |                   |

Impacts related to the material topic that occur in the considered value chain stage are managed...

 ... in the allocated focus area

 ... in a different focus area than the one the material topic is allocated to

## Stakeholder approach

We want our sustainability approach to be relevant and credible. Stakeholder involvement is a central element of our approach. We maintain open dialog and work collaboratively with our stakeholders to find solutions for sustainable development.

| Stakeholder                          | Lindt & Sprüngli approach  |
|--------------------------------------|--|
| Consumers                            | Consumers have specific information requirements regarding ingredients, origin of raw materials and sustainability. Conscious consumption and a healthy lifestyle are other trends. We communicate with our consumers through different channels. Consumer service specialists at the Lindt & Sprüngli Group handle each inquiry, compliment, and complaint that is received with the necessary care. Consumers also have the opportunity to get in touch with our employees directly at the growing number of Lindt and Ghirardelli retail shops. Furthermore, Lindt & Sprüngli has a presence on various social media platforms such as Facebook and Twitter, which allow direct interaction with consumers. |
| Employees                            | Employees are our biggest asset. The most relevant topics in this area include training and development, diversity and equal opportunity. We promote a feedback culture where open and honest dialog is always welcome and maintain various communication channels and dialog platforms. Our annual Talent Management dialog helps to identify, assess, and develop the professional skills and performances of our employees. We conduct an employee survey every three years across the entire Group.  |
| Investors                            | We provide investors, analysts, and proxy advisors with our half-year and annual results and other relevant company news. The annual general meeting provides a forum for exchanging information and opinions, as do smaller conferences and telephone conversations with financial analysts, roadshows, and personal meetings. We also participate in some of the major environmental, social and governance ratings of analysts and investors.   |
| Civil society organizations and NGOs | The Sustainability Manager is the main contact point for civil society organizations and NGOs. This person maintains ongoing one-on-one dialogue with a view to showcasing the sustainability work done by Lindt & Sprüngli, asking for feedback, taking on board suggestions and reservations, and assessing the potential for partnerships.  |
| Farmers and suppliers                | Consistent high quality in terms of raw materials and packaging, reliable partners for transport, logistics, and the development, supply, and maintenance of machinery, not to mention providers of a whole host of support services – these are all crucial for our business. Lindt & Sprüngli procurement staff in particular, as well as other employees, are regularly in touch with our supply chain partners. We follow a partnership approach to supplier development so that both parties can continuously improve, also with regard to sustainability.  |

| Stakeholder                        | Lindt & Sprüngli approach   |
|------------------------------------|---|
| Universities/Research institutions | Lindt & Sprüngli works with various universities and research institutions along the entire value chain. We support existing research facilities and projects, help develop new applied science projects, and support students with academic assignments involving research topics of relevance to us.  |
| Retail/Distributors/Customers      | Buyers of semi-finished Lindt & Sprüngli chocolate products, as well as retailers, distributors, and other corporate customers for finished products ensure our products are available to consumers all year round. They have their channel-specific customer service representatives at their respective subsidiaries to handle inquiries and concerns in a professional manner. Lindt & Sprüngli brands are also represented at trade fairs and other events so that partners can discover our latest creations for themselves. |
| Governments                        | Lindt & Sprüngli does not conduct active lobbying at a government level. However, Group companies are members of several local industry associations. Government institutions are becoming increasingly important in terms of providing advice and support for sustainability projects. In addition, laws and regulations relating to environmental protection, social standards and human rights have been implemented or are in the process of being implemented in various countries.  |
| Media                              | We proactively inform the media about relevant issues to ensure the public image of Lindt & Sprüngli is both exemplary and accurate. Our communication with the media is honest, fact-based, and transparent – while respecting any business secrets. We publish reports and press releases regarding our half-year and annual results, as well as press releases on any other business-related matters such as media events, annual general meetings, and on-site visits, and answer questions from the media.                   |

## About this report

This Sustainability Report is Lindt & Sprüngli's 10<sup>th</sup> progress report relating to the ten principles of the UN Global Compact and the six UN Global Compact Food and Agriculture Business Principles (FAB).

This Sustainability Report provides stakeholders with information about the goals that Lindt & Sprüngli has set itself, measures introduced, and the progress achieved. It covers the period from January 1, 2019, to December 31, 2019. Unless otherwise stated, all facts and figures are correct as of December 31, 2019, and relate to the Lindt, Ghirardelli, Russell Stover, Whitman's, Pangburn's, Caffarel, Hofbauer, and Küfferle brands of the Lindt & Sprüngli Group. The facts and figures also relate to all production, distribution, and marketing sites, as well as regional Lindt & Sprüngli offices. This Sustainability Report was written with due regard to the principle of materiality in terms of the issues addressed and the expectations of the various stakeholders.

### Date of publication

English version: April 2020

The expectations expressed in this Sustainability Report are based on assumptions. Actual results may vary from these.

| <b>The ten principles of the UN Global Compact</b>   | <b>Relevant company guidelines</b>                                | <b>Report reference</b>                           |
|--|---|---|
| 1. Companies should support and respect the protection of internationally proclaimed human rights.           | Credo<br>The Lindt & Sprüngli Promise<br>Business Code of Conduct | pp. 5–9, 31–33, 37, 57–59                         |
| 2. Companies should make sure that they are not complicit in human rights abuses.                            | Health & Safety Policy<br>Supplier Code of Conduct                |   |
| 3. Companies should uphold the freedom of association and recognition of the right to collective bargaining. | Credo<br>The Lindt & Sprüngli Promise<br>Business Code of Conduct | pp. 5–9, 15, 17–21, 23–24,<br>30–33, 45–48, 57–59 |
| 4. Companies should work toward the elimination of all forms of forced and compulsory labor.                 | Health & Safety Policy<br>Supplier Code of Conduct                |   |
| 5. Companies should work toward the effective abolition of child labor.                                      |   |   |
| 6. Companies should work toward the elimination of discrimination in respect to employment and occupation.   |   |   |
| 7. Companies should support a precautionary approach to environmental challenges.                            | Credo<br>The Lindt & Sprüngli Promise<br>Environmental Policy     | pp. 5–9, 16, 18–19, 35–41,<br>57–59               |
| 8. Companies should undertake initiatives to promote greater environmental responsibility.                   | Supplier Code of Conduct  |   |
| 9. Companies should encourage the development and diffusion of environmentally friendly technologies.        |   |   |
| 10. Companies should work against corruption in all its forms, including extortion and bribery.              | Business Code of Conduct<br>Supplier Code of Conduct              | pp. 5–9, 43, 45, 57–59                            |
| <b>Global Compact Food and Agriculture Business Principles (FAB)</b>   |   | <b>Report reference</b>                           |
| The company pursues food safety, health, and nutrition.  |   | pp. 6–10, 12–33, 52–53                            |
| The company is environmentally responsible.  |   | pp. 6–10, 35–41                                   |
| The company ensures economic viability and shares value.   |   | pp. 6–9, 12–33                                    |
| The company respects human rights, creates decent work, and helps communities to thrive.                     |   | pp. 6–9, 12–33, 45–48                             |
| The company encourages good governance and accountability.   |   | pp. 6–9, 43, 56                                   |
| The company promotes access to and the transfer of knowledge, skills, and technologies.                      |   | pp. 6–9, 12–33                                    |

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[www.farming-program.com](http://www.farming-program.com)



This is our **Communication on Progress**  
in implementing the principles of the  
**United Nations Global Compact** and  
supporting broader UN goals.

We welcome feedback on its contents.